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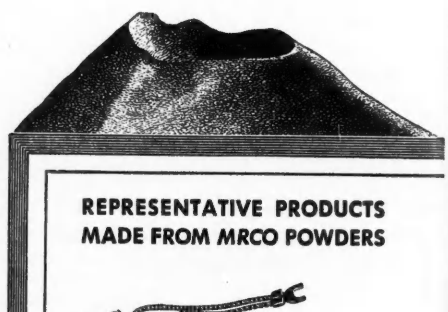

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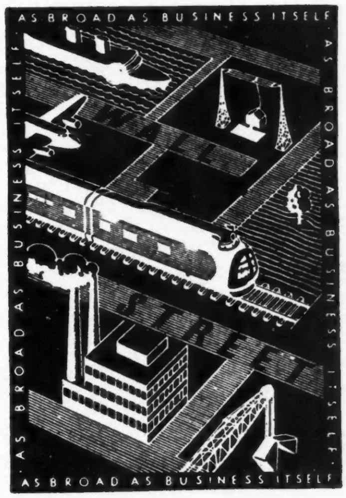
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Publisher* E. A. KRAUSS, *Managing Editor*



The Trend of Events

ON TAX REDUCTION . . . Secretary of the Treasury Vinson's tax program — on which we shall have more to say in our next issue—follows a pattern that without question is weighted heavily in favor of business. It proposes total cuts of $5 billion, the main reductions being repeal of the excess profits tax, of the 3% normal tax, and repeal of some excise taxes. In the light of probable postwar expenditures, the Secretary thought that Congress ought not to go beyond that. Mr. Vinson also advocated that the carryback provision of the tax law be extended for another year.

The apparent goal of the Administration's tax policy is a revenue structure designed to encourage business expansion, risk taking and the creation of jobs. The incentive is to be provided first by reducing the "tax take" out of the profits dollar of corporations and second by cutting those taxes—income and excises—which depress consumption and thereby hold down production. The implication of this policy, as far as individual tax payers are concerned, is clear. They will enjoy some relief from their wartime tax burdens but their incomes are earmarked to supply the great bulk of future revenues.

Mr. Vinson's plans for the individual tax payer is likely to run into trouble; the modest cuts suggested have already been challenged on the grounds that "they don't go far enough." House Republicans are sticking to their proposal to slash individual taxes by 20% "across the board." It is a demand that almost certainly echoes the popular reaction, for an overall cut of $5 billion—in the face of far sharper curtailment of Federal expenditures following the war's end — does not appear particularly generous.

It must be borne in mind, however, that war expenditures cannot be scaled down to a peace-time basis overnight; for a time, outlays—while lower—will continue heavy. Moreover, the tax bill now impending is merely a stop-gap measure. The general revision of the revenue law next year will contain a more comprehensive and longer range tax program, taking into consideration revenue needs as they shape up at that time. It is obvious of course that real tax reduction can only be had as the result of the reduction of expenditures. No other course would be prudent, nor financially safe. The way it looks now, the individual taxpayer's hope of a lighter tax burden must necessarily depend largely on the future trend of Government outlays. Expenditures are the key to tax reduction.

THE INTERNATIONAL OIL AGREEMENT . . . A revised international oil agreement, setting up in broad, elastic terms a basic policy for equitable development of the world's oil resources, was signed in London recently by representatives of the British and American Governments. Though differing in many key features from the original pact negotiated by the two Governments in Washington last year, but never ratified, the new agreement is pat-

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELORS : 1907 — *"Over Thirty-Eight Years of Service"* — 1945

terned almost identically after the substitute proposals subsequently put forth by the American oil industry. It is meant to be replaced later by a multilateral pact following an international petroleum conference.

The new agreement can be interpreted as a victory for American petroleum industry efforts to maintain free, unrestricted enterprise and yet to promote some sort of international cooperation to avert injurious "world oil wars." It contains no provision that could be held to authorize direct interference with the production and marketing of petroleum in domestic or foreign trade. The new international oil council to be set up is essentially advisory, not regulatory. On basis of statistical information it will gather, the council will issue recommendations on the production and marketing of petroleum products, designed to avoid overproduction and wasteful marketing practices, and will suggest means of bringing world demand and supply into reasonable balance. It specifically disavows, however, any idea of compulsion, whether upon either Government or the nationals of either, regardless of whether council recommendations are approved or not. It thus seems to shut out any possibility of government management of the oil industry, once held a latent threat in the earlier treaty now superseded.

Successful conclusion of the Anglo-American oil negotiations cannot however be taken as a sign that all intra-industry conflicts have been ironed out. U. S. oil interests have won an improved working arrangement in the rivalry-ridden Middle East zone, but the real test will come when competition for jointly held markets resumes and when Russia must be dealt into the international pool.

EUROPEAN TRADE PACTS... Britain has now concluded monetary and trade agreements with every Western European country except Norway, Portugal and Spain, and agreements with the two former may materialize in the near future, clearing the way for revival of trade between Britain and Western Europe despite the many existing uncertainties. The importance of these pacts transcends their apparent character of make-shift arrangements, since they link together commercially and financially not only the principal contracting partners but the entire sterling area on the one hand and colonial possessions of European countries on the other.

The latest agreement with the Netherlands, discussed elsewhere in this issue, is typical of the way in which the British are resuming foreign trade. The rate of exchange fixed for the Dutch currency is devalued about 40%, exactly the same amount of depreciation as provided for the Belgian franc in the agreement with that country. Thus unmistakably, exchange rates between sterling and the Western European currencies are being established well in advance of the implementation of the Bretton Woods agreements. In concluding their trade pacts, the British have been making clear that they provide for revision and restoration of multilateral convertibility of the currencies involved whenever the Bretton Woods plan goes into effect. But it is obvious that the agreements now existing with European trade partners could readily be converted into a permanent expansion of the sterling area should pending negotiations with the U.S.A. for financial aid fail or Bretton Woods be allowed to lapse.

In short, the close financial and commercial linking of Western European countries with Britain is the outstanding significance of these trade agreements, apart from the desire for immediate resumption of trade on a stable exchange basis.

WAR IN PEACE... The war is over and yet it is not—at least not officially—nor will the historical date become known until after thorough study of all the pros and cons, for concurrently with the date finally established there will be legal termination of a long list of wartime controls. President Truman has made it clear that for some time yet he will refrain from issuing any official proclamation which would clarify the situation, and while Congress by a concurrent resolution could settle the matter without risk of a presidential veto, no such immediate steps are in prospect. In the meantime, pressure groups desiring to end all Government controls are busy in an attempt to negate the administrative policies.

So numerous and complicated are the wartime measures the effectiveness of which hinges upon the official termination of the war that the Attorney General has had to write a sizable book on the subject. Should Congress decide to establish a definite date, immediately thereafter the draft would end, unless further legislation gave it a new lease of life, and all Federal powers to renegotiate war contracts would cease. Income tax exemptions applicable to the armed forces would cease to be effective, and six months after the termination day set, high ranking officers would drop back to their peacetime ratings. Above all, Government controls over wages, prices, rationing and scarce materials would be broadly affected. Determination of the date could make a difference of a full year in the prolongation of Government support of farm prices, as its automatic extension for two years after the war is to be dated from the January following the official termination of hostilities.

Chances are that from a practical standpoint, release of wartime controls will be made progressively, with several war termination dates tailored to fit each or several cases in turn. This potential is illustrated by recent congressional resolutions setting September 29, 1945 as the war termination date solely for establishing procedure for amortization of warplant facilities.

Authority to terminate the amortization period and permission to recompute taxes on the basis of a shorter amortization period than 60 months will incidentally permit very sizable tax refunds in some instances. Steel companies and railroads particularly will benefit. Some estimate that Bethlehem Steel may get a refund of a much as $50 million, Atchison may get near $45 million, Southern Pacific perhaps $30 million. As can be seen, the exact date of the war's end can be an important thing.

As I See It!

BY CHARLES BENEDICT

THE WORLD CANNOT AFFORD ANOTHER MUNICH

THE causes for the failure of the Council of Foreign Ministers in London are so fundamental in character that they admit of no compromise. To do so would mean that the war has been fought in vain—that while we are destroying Hitlerism, we are setting up Russian Imperialism under a military dictatorship which now seems the trend in that country.

The new leaders in Russia are not content to play an important part in the world in the making —they want to play the leading role — to make vassals and dependencies of all weak nations and to challenge the supremacy of the powerful ones. And Russia is prepared to bore from within when she finds the use of force inexpedient as in the British elections where her conniving brought about the fall of Churchill. Today she is venting displeasure on the United States by fomenting strikes through Communist stooges. Russia always hits back by one means or another when she does not get her way.

Nor does she mend her ways when her activities boomerang. The joy over the British elections was short lived. The labor government there is more critical and less willing to compromise on Russia's unreasonable demands than the Churchill government ever was. And the France that Stalin thought was in his pocket, has grown so fearful of Russian intentions that she is ready to cast her lot with the Western powers. Yet, Russia continues to pursue the same tactics to her own detriment.

Soviet prestige has been declining sharply for some time as the policy of the government is no longer realistic. Greed and lust for power rather than common sense are the directing forces. And now, her responsibility for the failure of the Peace Conference of Foreign Ministers in London is bound to cause Russian prestige to sink even lower.

"For a peaceful earth." Pease in The Newark Evening News

I wonder whether Russia will ever realize that our predominant position is not due to fear occasioned by our possession of the atomic bomb — the most destructive weapon in the world — but rather to the fact that we are going to proceed with our constructive plans for world peace with the certainty that no other nation in the world is in a position to challenge the U. S. by threat of arms.

For a long time the Russians have overplayed their hand so that the world is fully aware of their aims. Since the fall of Germany, we have all, so to speak, been observing her activities behind the scenes and her methods of shifting props. We know that while mouthing about peace, the U.S.S.R. continues to stir up strife —is grabbing territory left and right on hypocritical claims of necessity—shutting out her allies while at the same time demanding privileges in territory occupied by them.

Nor does anyone take Russia's claims to democracy too seriously today, even though they are reiterated again and again. As the world is now well aware, the U.S.S.R. is an autocratic totalitarian state —and a foot in the door of any country will be used for the purpose of applying her mechanism of destruction and disruption at the expense of that country's government.

The recent vigorous opposition by the Arab League to Russian trusteeship over African territory is an expression of the fear in which Russia is held everywhere. This is true as well all over Europe and despite Russia's claim to the contrary, all the eastern European states have never wanted communism. They knew too much about it, living so close to the Russian border. I say this from first-hand knowledge of the situation. But today the people of these lands are so weakened by the most destructive war in history that unless we free them, they are in no position to help themselves (*Please turn to page* 54)

Soundest Market Policy Now

The technical indications and the economic-financial fundamentals appear bullish, yet the increasing sluggishness of quite a few leading stocks will bear watching as a possible advance danger signal. Meanwhile, the averages probably point higher. We would hold some reserve cash and emphasize careful selectivity.

BY A. T. MILLER

ON balance the market has again moved higher over the past fortnight, though it now seems to need more frequent minor pauses for technical consolidation. That is natural, both because of the advanced price level and the country's continuing preoccupation with the most serious and general labor troubles in many years.

Certainly the irregular upward pattern of the past three weeks or so is calculated to maintain internal health better than could a continuation of so spectacular a rise as that from mid-August to mid-September. Even so, the market acts as if it could spurt sharply again, given a rift in the strike clouds, for there is much evidence to suggest that the far from young bull movement has reached, or is near, the explosive phase. Such a phase can produce exciting profits — but is necessarily accompanied by increased risk and considerable selectivity.

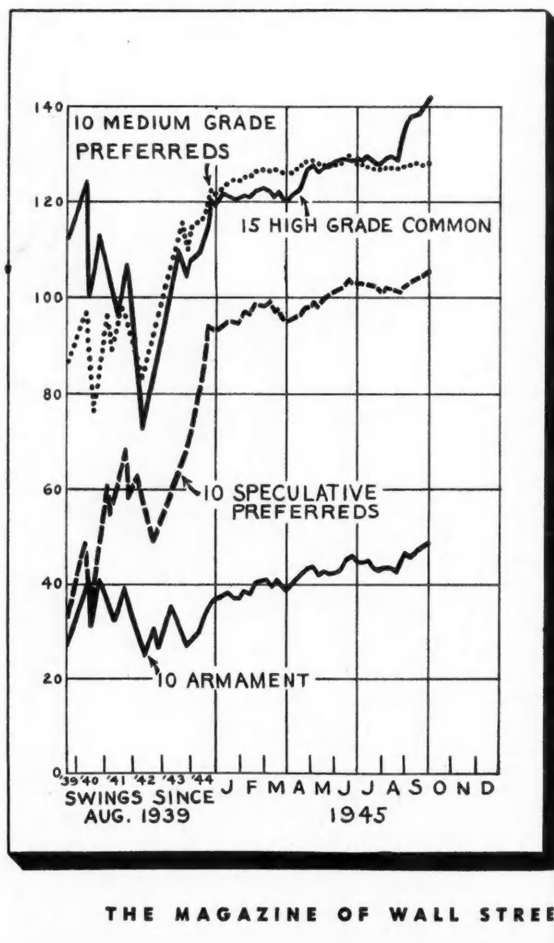
So far the recessions are of small proportions—much smaller than would-be buyers had hoped for—and the volume of transactions shrinks on sell-offs, expands quickly as strength is renewed. These technical earmarks imply that the line of least resistance is still upward, though, like the daily weather readings, they can be subject to change at any time. For those trying to look ahead a few weeks or a few months, the "technical evidence" can never be a very strong reed to lean on.

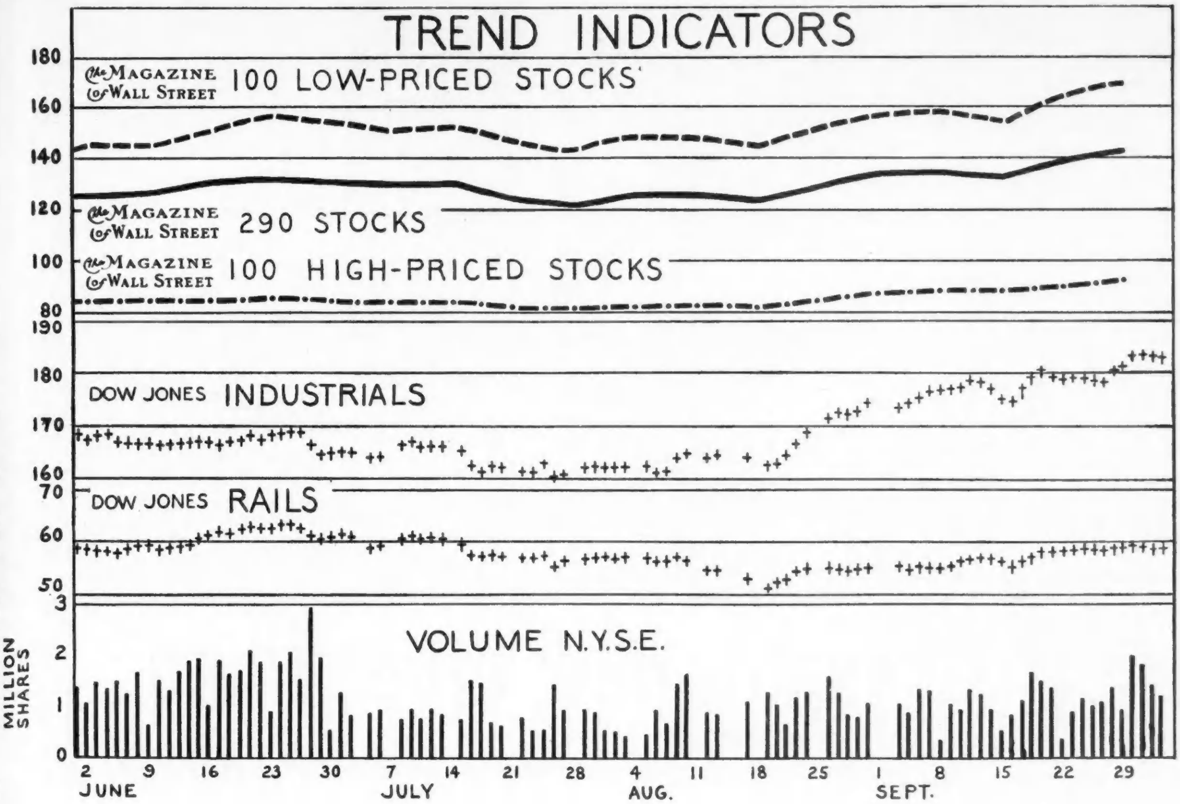
Therefore, in trying to get a sensible perspective on the market from an intermediate-term or longer-term viewpoint, one must more or less continuously reappraise the economic-financial fundamentals and ask whether the market averages—and, even more particularly, individual stocks—are high enough in relation to them. There you run into plenty of room for differences of opinion, and also into an imponderable which sometimes defies rational analysis. We mean "sentiment." The latter has more to do with the extreme swings of the pendulum, both ways, than do measurable factors.

Reducing it to the simplest equation, perhaps the most essential considerations are (1) the supply of funds available for investment and (2) the willingness of people to employ money in common stocks at prevailing prices. There is no doubt about No. 1. The rate of increase in over-all money supply has, of course, slackened but the total is unprecedented and the trend is still inflationary. It can't be otherwise as long as there is a large Government deficit financed by the commercial banks in important measure. Regrettable as it may be, inflationary bank-financing of the Federal debt must increase, relatively, for the flow of individual and corporate savings into Government bonds will not only be reduced but a considerable proportion of existing holdings will be shifted to the banks through open market sales or, indirectly, through redemptions. Recently, redemptions of the discount savings bonds have exceeded purchases.

Every broker and every investment counsel is under seemingly endless pressure of clients to suggest attractive, or even acceptable, investment media for surplus funds. Underwriters and distributors of new or special offerings continue to find their sales efforts meeting with amazingly ready response. Average stock yields still very considerably exceed yields of good-grade bonds. New-capital security financing is of very small proportions, compared to refundings. On balance, more and more stock—especially as regards well-known industrials and utilities, and the handful of strong-credit rails—has been taken out of the market, into investment hands: not to be disturbed by reactions of mere normal proportions.

Obviously, there is continuous profit-taking, for





there has to be a seller for every buyer; but so far it's the buyers who have to make the concessions by raising bids. Many holders refuse to take profits on the reasoning that unless they can rebuy more than 25% lower they have nothing to gain after allowing for the 25% long-term capital gains tax. People in low enough brackets to figure gains in their regular income tax are disinclined to sell because they are sure of at least moderate tax relief after January 1.

The consensus on business activity, prices and profits is generally bullish—whether or not it rests on "confidence" or "inflation-sentiment" or a combination of both. There is a vast deferred demand for civilian goods to be served, and it is believed, or hoped, that it will be served profitably in one way or another. The market apparently takes it for granted that prospective general wage increases will be followed in due time by price increases adequate to maintain satisfactory profit margins under high production rates. This may be open to some question during the remaining life of OPA; but OPA is increasingly on the defensive, both with Congress and some Administration circles. The minimum expectation is a grudging retreat on price control, the maximum is the substantial disintegration of OPA even before its statutory life expires next June 30.

The strike news, from all the evidence, will get worse before it gets better, for the method followed by the Government in proposed arbitration of the wage issue involved in the oil strike will make employers much less willing to offer any initial concessions and determined to leave the whole range of negotiation wide open for settlement in the final show-down, whether by private action or Federal moves. Yet the market shows considerable evidence of being prepared for whatever labor troubles develop. And there is more room for surprise should the situation develop less badly than expected.

We have emphasized the pressure of surplus funds and the evidence that, in the aggregate, investors and speculators continue thus far to prefer stocks to idle cash. This suggests that the market probably will work higher before this phase culminates; but it remains a fact, as we pointed out two weeks ago, that the percentage potential in the average stocks has been greatly curtailed, even if one assumes that 1929 highs will be matched. Meanwhile, the Dow industrial average almost certainly will encounter formidable resistance around the 1937 high, which is to say within approximately the next 10-point zone. Meanwhile, also, considerable numbers of good stocks, including the leading automotive issues, have slowed to a walk.

The latter could prove just a resting spell, after large prior advances; but this changing pattern will bear watching, for top-side resistance in key spots has preceded every important market high. It suggests that in the case of some fairly important stocks, including General Motors—which has been probably the best single speculative-investment barometer—investors may be beginning to get less willing to pay higher and higher prices. If that sort of attitude spreads to enough stocks in coming weeks, it could not then be assumed that normal technical reactions are all that one need expect.

— Monday, October 8.

Gendreau

WHAT DYNAMIC NEW INDUSTRIES

—To Spur Peacetime Expansions?

BY WARD GATES

AFTER the first World War, factors that sparked our economic expansion were primarily the rapid development and growth of the automobile industry and of electric power application, both quickly shooting up to early maturity. We developed chain merchandising and large-scale use of consumer credit, strengthening and broadening our distribution system. There were a number of new technologies and our chemical industry, in particular, began its march to fame. We had a fair-sized building boom, ending prematurely under the impact of high costs, and a foreign trade boom, largely financed with dollar loans and credits, that collapsed with dire consequences as soon as world conditions forced stoppage of our lending activities.

These, in the main, where the principal props on which the prosperity structure of the Twenties was built. Outstanding especially was the role of the automobile industry which was unusually successful in attracting the consumer dollar. It opened up a new era in American history and has since come to support a large part of our business and investment structure. While it has destroyed a large amount of investment value, it has created far more than it destroyed. On balance it has been a real force toward economic expansion without which our progress would have been far less rapid, far less pronounced.

What is the outlook for the era following the end of World War II? Are there inherent in our economy factors and new industries that promise similar expansion of our economic base? During the boom of the Twenties, national income rose from some $64 billion in 1919 to the 1929 high of $87.2 billion. Today it is estimated that for reasonably full employment and prosperity, we need a postwar national income of about $120 billion, compared with the immediate prewar figure, for 1939, of $71 billion, or a boost of almost 70%. Without such a gain, we can have neither full employment, nor prosperity, nor can we hope to carry our immensely swollen debt without incurring either great inflationary or deflationary risks, depending on our approach to the debt problem. Thus the critical question is: Where must we look for the needed increment in our overall economic potential. Where is the economic expansion to come from that will enable us to achieve our postwar goals?

As it is, we shall have to look in many directions, for we can hardly hope, realistically, for any single industry to spark postwar prosperity and permanent economic expansion in a manner comparable to the automotive industry's role in the Twenties. Instead of relying on one single and outstanding growth industry, we must rely for the desired progress on the cumulative potentials of numerous new economic forces and fledgling industries. We also must evolve economic policies that actively foster broadening of our economic base.

In the more immediate future, the problem will not be too acute, for the potentials of the postwar "catching-up boom," however temporary, are sufficient to support intensive economic activity. But for lasting economic growth, we need a more solid basis, primarily supported by broader distribution and

strengthening of purchasing power. It must be a foundation on which can rest not only future growth of new industries but expansion of established industries through wider distribution of their products. The latter, it appears, in the more immediate future is far more important to final results than any discernible potentials in so-called new industries, though in the aggregate, these will ultimately add up to respectable size. And eventually, as their development progresses, one or the other of the newcomers may well achieve the dynamism that can, alone, spark an entire cyclical phase.

Industries of the Future

We are already familiar enough with relatively new tools to foresee great developments in aviation, plastics, new and light metals and other new fields. We foresee the probability of flying non-stop around the world at the speed of sound. The postwar era will touch off great forces created by war, the application to peacetime uses of the many technologies developed during the conflict. Future developments in power production will open opportunities as vast as those revealed by steam and electricity. Television is still in its early stages of development but full realization of its possibilities will bring possibly marked changes in home and business life.

Business foresees that the postwar automobile, with light, tough bodies, powered by small engines using ultra high octane motor fuels, will continue the ceaseless progress of the automotive industry. The "octane rervolution" is no idle phrase, and even the layman is familiar with the parade of plastics, with the potentialities of the "mighty electron," the diesel engine, the gas turbine and the host of synthetics that dot the industrial landscape. All of these things have long emerged from the visionary stage though vision is still required for their further perfection and development. But they are things in which research is so far along as to point the direction in unmistakable terms. They are fields and industries out of which may and probably will arise the dynamic growth industries of the future.

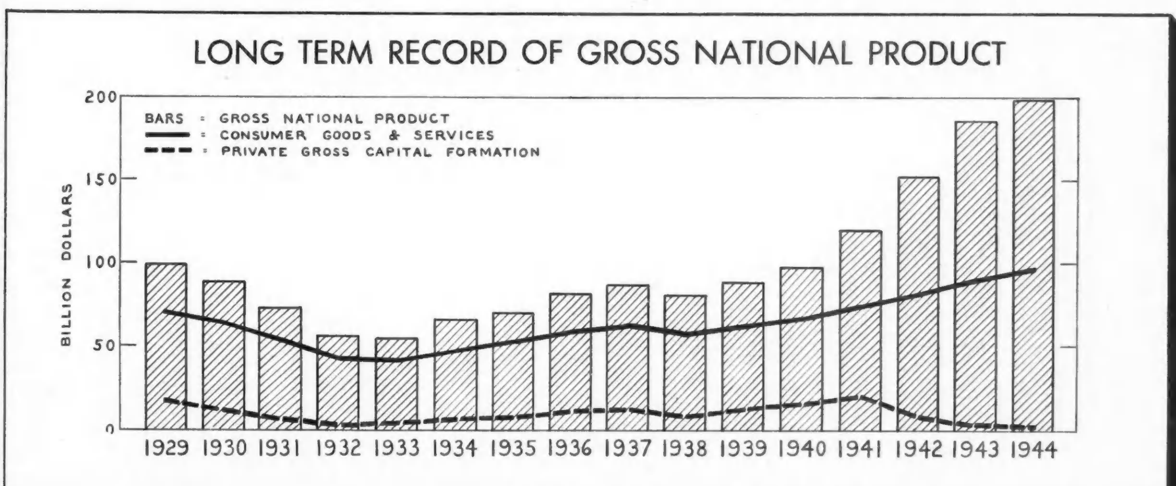
Not even today can anyone grasp the full peacetime application of war-developed technologies, the extent to which the lessons of mechanized warfare will stimulate air and motor transportation, the use of air conditioning and radar, the possibilities of powder metallurgy, the new horizons opened up by progress in electronics as the greatest of all industrial tools. Jet propulsion has been widely hailed as a revolutionary form of motive power. Radically new metal alloys that withstand extreme heat are only one of the many new developments spurred by jet research, and ideas are coming along fast for its industrial use.

Investment Caution Advocated

Thus we find many novel fields promising eventual broadening of our economic base. Their true potentials are as yet difficult to assay, especially from the investors' standpoint, but it is safe to assume that one of the most important factors in our postwar economy will be the development of these fields. A better grasp of the companies which will successfully manufacture or use the new materials and processes will probably be had several years hence than at present. It stands to reason, therefore, that any investment benefits sought therefrom had better be obtained first via established companies not exclusively engaged in these new fields but embracing such activities as supplementary lines by way of diversification into new growth fields, unless one is prepared for real "venturing," always risky but often gratifyingly worthwhile.

Each new industry may be said to traverse three stages: (1) experimental, (2) development and growth, and (3) matured production, earnings and dividends. All three stages are found present when examining the status of the new industries inviting postwar investor attention. But withal, the fact that an industry is relatively new, growing rapidly, is well advertised and glamorized, provides no guarantee of profits for the individual company; as always, wise selection depends on proper analysis.

Take for instance plastics, a field that has rapidly



progressed from a "gadget" industry to a serious engineering products industry; today it is one of the most important segments of the great chemical producing field. Still it is a young industry with its potentials far from fully realized. It has shown uninterrupted progress since its inception with spectacular growth in the last fifteen years, intensified during the war. Production value rose from a mere $8 million in 1909 (on a dubious experimental basis) to $78 million in 1939 and to $332 million in 1944. A further rise in output of 20% to 25% is predicted for the postwar. With the development of new and improved compounds and more efficient production methods, the number of plastics application has expanded rapidly. The varieties and applications of plastics are almost endless and nearly every manufacturer is a prospective customer for the industry. Further growth prospects are undeniable; with their versatility, wide choice of raw materials and possibilities of reduced costs, plastics are bound to become one of our great industries.

From an investor's viewpoint, appraisal of future potentialities is somewhat more difficult. For one, competition will be keen, despite constantly widening markets, and production is widely dispersed among a multitude of companies, only a few being exclusively engaged in plastics manufacture. Others, and by far accounting for the greater volume of output, derive only a portion of their total business from sale of plastics. This is perhaps a fortuitous circumstance for the investor desiring to take advantage of potentials in the field without courting undue risks. The companies listed in the appended statistical table have an important stake in plastics, yet are sufficiently diversified and well-entrenched elsewhere to offset the speculative characteristics inherent in the plastic field proper. They have successful records of earnings and dividends and can be regarded as sound growth stocks in both plastics and their principal fields of endeavor. There are others, of course, besides those listed.

The much glamorized electronics industry indubitably faces great peacetime opportunities but practical utility, not glamor, will govern postwar developments. Peaked up by one of the greatest of all war booms, electronics manufacturers harbor few illusions. They foresee a certain tapering off in immediate postwar volume but eventual further expansion, therefore view the postwar era with not too much concern about overexpanded capacity. New industrial uses to which electronic control equipment can be applied in almost limitless variation have kept pace with the growth of productive facilities. Today, the industry which some estimate to be as large as the prewar automobile industry, sees no ceiling on the ultimate postwar demand for its products.

The industry's 1944 output, largely for war purposes, reached some $4.6 billion. Early postwar production, strictly for peace purposes, is estimated to run around $1 billion but to climb quickly back to between $2 and $3 billion. Horizons for the ensuing years, in the opinion of industry enthusiasts, are said to be unlimited; certainly they are promising. Electronics of course covers a wide field, including radio, television, radar, X-ray and other applications of the vacuum tube. To the public at large, electronic products will be most notable in three fields—entertainment, transportation and health. Industrial applications run into the *(Please turn to page 38)*

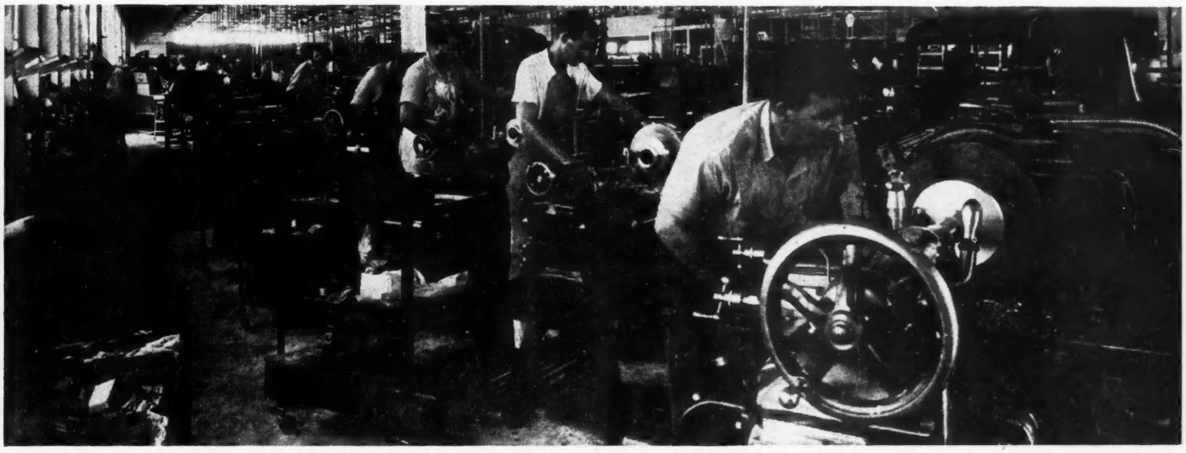
Selected Companies Prominent in New Fields and Industries

	In Dollars Per Common Share										
	Book Value	Net Current Assets*	Cash Items	1936-9 Avge. Net	1944 Net	1936-9 Avge. Div.	1944 Div.	Div. Yield	1944-45 Price Range	Recent Price	Price Earnings Ratio
Relatively Most Attractive for Diversification in New Industries:											
du Pont	52.09	5.28	13.12	6.54	6.60	5.65	5.25	2.8%	187½-137	186	28
General Electric	14.75	7.19	12.50	1.53	1.76	1.55	1.40	2.9	49⅝- 35	48	27
Westinghouse (g)	23.78	14.57	12.73	1.36	1.94	2.19	1.00	2.7	37⅞- 31⅛	36	18
Plastics:											
Union Carbide	35.59	15.20	17.77	3.89	3.72	2.45	3.00	3.0	100¼- 76	98	26
Monsanto	37.08	5.62	9.79	3.69	3.30	2.75	2.25	2.1	109 - 74¾	106	32
Celanese	17.87	Nil	25.95	2.06	2.87	1.06	.50(i)	3.6	55⅜- 31⅝	55	19
Drugs and Pharmaceuticals:											
Merck & Co.	16.50	1.22	4.80	.96(h)	1.75	1.16(h)	1.00	2.5	43¾- 30½	39	22
Amer. Home Products	26.58	16.74	7.82	4.17	4.74	2.54	2.70	3.1	86 - 65	86	18
Alloys:											
Alleghany Ludlum	24.94	11.05	3.74	.23(b)	2.71	.50(a)	2.00	5.4	37⅜- 24¼	37	13
Fansteel Metallurgical	16.73	8.95	7.34	.48	2.22	Nil	.25	.4	64 - 14½	62	28
Rustless Iron & Steel	10.44	3.68	3.29	.63(f)	1.88	.06(e)	.75	3.2	24 - 14⅝	23	12
Air Conditioning, Refrigeration:											
Carrier Corp.	15.75	4.60	2.73	def .22	2.83	Nil	Nil	......	30½- 12⅝	30	10
Borg Warner	26.87	18.22	22.59	2.40	3.42	1.59	1.60	3.1	52¾- 34½	51	14
Electronics:											
Philco	16.96	11.80	22.79	.38(f)	2.87	......	1.20	3.1	40 - 24⅞	38	13
Zenith Radio	20.47	14.62	17.64	2.24	3.37	.75	1.00	2.6	44½- 33¾	38	11
Radio Corporation of America	4.90	3.08	6.92	.32	.51	.15	.20	1.3	16¾- 8¾	15	29
Jet Propulsion:											
Bell Aircraft	38.43	25.13	95.77	.17	8.01	Nil	1.00	4.5	24½- 10⅝	22	3
Solar Aircraft	6.34	29.63	4.04	.16(f)	1.65	.07	.50	2.9	22 - 2⅞	17	10
Wright Aeronautical	105.83	67.78	217.46	4.24	16.13	1.75	8.00	8.9	99¼- 69½	90	5

*—After prior obligations.
(b)—1938-9 Average.
(e)—Also, 1/75 share 2nd Preferred dividend in 1937.
(g)—Adjusted to give effect to 4-for-1 split in 1945.
(a)—Initial payment on new stock in 1939.
(c)—Since December 8, 1944.
(f)—1937-9 Average.
(h)—Adjusted for 3-for-1 stock split in 1941.
(i)—Plus Stock.

Economic Implications of Dangerous Price-Wage Spiral

BY E. A. KRAUSS



Hoit from Coshing

THE labor unrest sweeping the country, already finding expression in strikes that are slowing up the manufacture of automobiles and other reconversion goods, signifies the initial outward manifestation of labor's fight to keep pay envelopes as well padded as during wartime. At the moment, it is the big companies and the big labor unions that are getting ready for a showdown but before the battle is over, virtually every business is liable to feel its effects.

The showdown in the automobile industry is immediate. Heavy wage demands on the steel industry are impending. Requests for higher wages in numerous other industries will undoubtedly follow. Thus at a time when industry and labor alike should be bending every effort toward smooth and quick resumption of civilian production, industry is threatened with a severe paralysis which—barring speedy and effective mediation—may seriously impede industrial reconversion.

Perhaps more than anything else, the outlook for reconversion now depends on whether the current labor strife will become a real slugging match between management and labor. Governmental powers of intervention are of dubious force since war powers no longer mean much; apparently the most that can be hoped for is a semblance of order through conciliation. The recent strengthening of the Labor Department augurs well in this respect.

Still, underlying the present difficulties are two major factors that for a time may be difficult to reconcile. One, as previously stated, is labor's determination to maintain a near-equivalent of wartime "take-home" pay; the other is management's determination that so long as OPA price ceilings remain, no substantial wage increases should be granted without compensating price adjustments.

To labor the war's end means the wiping out of some five million jobs, the end of overtime and incentive pay which in lieu of wage increases have raised take-home pay to levels well above that what the mass of workers received in peacetime. Understandably, labor wants to retain its wartime gains—or at least as much as can be salvaged. While wage demands vary in formula, the united goal is a shorter work week at overtime pay totals, and therein lies the core of the trouble presently besetting management-labor relations.

But there is more to it. Labor unions, realizing that they are at the end of a period of easy organizing, know that they are also at the beginning of a struggle for existence which will be particularly bitter in the heavy goods industries. With the war's end, union membership has been falling off sharply as workers lost their jobs and unions experienced a severe loss of membership dues which they must strive to offset. In short, the current drive for higher wage rates is not waged for the workers alone; it is also waged for the unions to maintain their strength. As a consequence, industry will be under terrific pressure from workers and unions to maintain jobs, increase hourly wage rates as work hours decline and take-home pay is threatened. The Government finds itself in the middle. And labor demands are bold because the unions somehow feel that this may be their last big chance for a long time to come.

Much is now being heard of proposals for a flat 30% wage increase such as demanded by the United Automobile Workers (CIO). This figure is arrived at as the percentage necessary under a 40-hour work week to bring workers the same pay they received for 48 hours, inclusive eight hours of overtime. It is this attempt to compensate for the reduction in hours that accounts for the many similar demands though the formula suggested is by no means uniform.

Automobile workers want a 30% increase as do

the oil industry workers. Workers in the men's clothing industry seek an increase of $1 a day. Steel and electrical workers are out for a $2 a day boost; steel workers additionally are pressing for a guaranteed annual wage arrangement. Rubber workers seek 30c an hour more, with time and a half to start after 30 hours. All these demands run around 30% which just exactly makes up the overtime lost by cutting the work week from 48 to 40 hours. Textile workers want an immediate minimum wage of 65c an hour and an additional increase of 17½c an hour as the work week drops back to 40 hours. The total would add up to 50% of the present 55c hourly base rate. These demands are typical of what's being asked and many more will be made, in other industries. Curiously, AFL unions haven't yet demanded that much. They have a more stable membership, resulting in less pressure to "win benefits or lose members" than in the case of the CIO organizations. But if CIO makes headway, AFL ultimately will have to come in line.

Labor's sudden emphasis on take-home pay, that is weekly earnings, constitutes a complete reversal of its wartime attitude. Then it insisted that its relative position was best measured by changes in basic straight time wage rates, and not by any other available yardstick of earnings. The reason for this is clear if one considers how labor's earnings power rose during the war according to various available measures.

Between January 1941 and May 1945, for example, weekly earnings increased 73%. Average hourly earnings rose 53%. Straight time average hourly earnings gained 37% and basic wage rates 20%. Wartime emphasis on the latter thus placed labor's position in the poorest light and was widely used to provide a stronger justification for wage increases. Conversely, the same is true by now stressing weekly earnings, that is the yardstick which upon reduction of work hours is bound to show the greatest relative recession.

Fundamentally, industry does not oppose higher wages; the overriding problem is its ability to operate and employ labor if wage rates are increased as demanded. In this respect industry is hemmed in on all sides. It is anxious to get going to give large-scale employment as rapidly as possible and to pick the rich plum represented by the largest consumer demand backlog of all time. But the wage-price pinch is severe. It must be clear by now that ceilings are not merely cited as a bargaining weapon to oppose wage boosts; they do constitute a definite curb on payrolls in many, if not most industries. Even if prices could be raised in the wake of wage boosts, there would be the ever-present spectre of consumer resistance that might well ruin the market. It also might set into motion a price-wage spiral of highly inflationary implications.

Union leaders frequently cite statistics of increased profits earned by industry during the past few years in support of their demands. But profits of an abnormal war period can hardly be indicative of what future potentials will be. What a corporation earned in 1943 or 1944 may bear little or no relation to the hourly wage rates it can afford to pay in 1946 or 1947. Rather, selling prices of a company's products, its volume of production and

*Approximate Wage Ratios of Major Industry Groups**

Food and kindred products	25%
Tobacco manufacturers	19%
Textile mill products	50%
Apparel	47%
Lumber and timber basic products	50%
Furniture and finished lumber products	44%
Paper and allied products	35%
Printing and publishing	28%
Chemicals and allied products	27%
Products of petroleum and coal	25%
Rubber products	25%
Leather and leather products	40%
Iron and steel, and products	44%
Non-ferrous metals and products	36%
Electrical machinery	34%
Industrial machinery	35%
Automobiles and equipment	48%
Transportation equipment	50%

*—Based on 1939 Census.


Police maintain order in a recent Cleveland strike

International

Anaconda

Men reporting to work at a plant of Anaconda Copper

the efficiency of labor are the three dominant factors which will determine the wage scales it can support. And far-reaching changes are now taking place in these factors, changes which may make difficult the maintenance of existing wage rates, let alone the higher wages sought by the unions.

Conditions affecting wage paying ability vary widely from one industry to another. Where a high level of production is assured for some time, where upward price adjustments are possible and where labor efficiency is high, the ability to raise hourly wages is far greater than in industries in which the outlook for volume, prices and productive efficiency is clouded and uncertain. Unfortunately, the latter is true of many industries. And where adequate information is not available to indicate what volume, prices and costs will be in the period ahead, there is great need for caution in raising wage rates lest

*Industries with Low Wage Ratios

(Below 20%)

Chewing gum	7%	Corn syrup	18%
Soft drinks	10%	Vegetable oils	18%
Cereals	13%	Paints and varnishes	19%
Soap	13%	Cigars, cigarettes	19%
Tobacco	15%	Printing ink	19%
Gas, manufactured	16%	Flour, other grain products	19%
Chocolate products	18%		

*Industries with Medium Wage Ratios

(20% to 40%)

Printing	20%	Glass, flat	35%
Petroleum refining	24%	Radios	36%
Cement	25%	Containers (cans)	37%
Electrical appliances	29%	Meat packers	38%
Confectionery	30%	Tires and Tubes	39%
Glass containers	34%	Aluminum	40%
Bakeries	35%	Machine tools	40%
Rayon	35%	Farm equipment	40%

*Industries with High Wage Ratios

(40% and over)

Office equipment	41%	Steel works and rolling mills	49%
Aircraft and parts	42%	Cotton goods	54%
Automobile stampings	46%	Ship building	54%
Locomotives	46%		

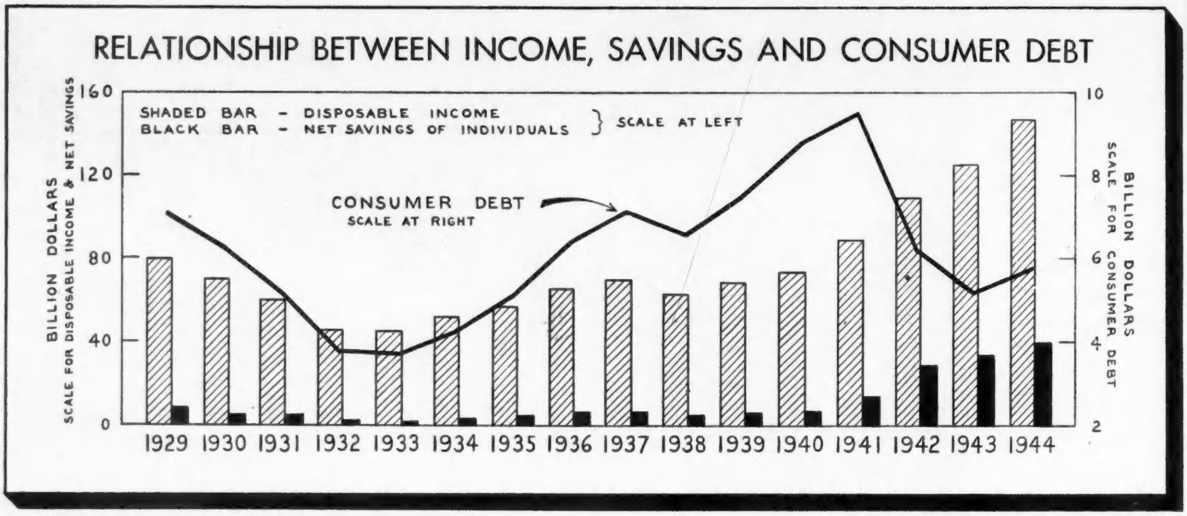
*—Based on 1939 Census.

serious maladjustments arise that in their ultimate effect may easily foster unemployment and depression, if price ceilings are held rigid, or spur inflation if prices are allowed to reflect higher wage costs.

In all this. labor's argument is that wage increases are justifiable because of the increase in labor productivity during the war, that higher wages are possible without necessitating corresponding price increases. In many cases this may be so but it would be fallacious indeed to generalize. Above all, the present demands for a 30% wage boost is far in excess of any gain in productivity. While the latter has increased rapidly in the war industries, the studies of the U. S. Bureau of Labor Statistics show that no such gains in productivity have taken place in industries making civilian goods. In fact, some declines have actually taken place. But even where the productivity trend is upward, the cumulative effect may find full reflection only in the future and such future prospect would hardly justify compensating wage increases at this time.

Unfortunately, there has been a tendency in public discussion to identify the anticipated changes in productivity—due to technological advances—with similar increases in living standards. But the past has shown clearly that all gains in productivity have not found reflection in additional goods produced. Some of these gains have been reflected in the reduction of work hours, and some have been passed on to the public by means of lower prices as well as higher wages. Uusually all three policies have been adopted.

To be sure, gains which take the form of lower prices are more beneficial to the overall economy because all consumers do not work in sectors of the economy where productivity can be substantially raised. Hence they are not eligible for wage increases which would give them command over a larger volume of goods. In the common interest, therefore, the position of this large group of consumers must be improved—in the future as in the past — by using technological advances to lower prices as well as to increase wage rates. To attempt to force higher (*Please turn to page* 45)



CASH OR CREDIT BOOM?

BY JOHN C. CRESSWILL

MANUFACTURERS and distributors of consumer goods, eyeing the stupendous accumulation of individual saving throughout the nation, often translate the figures into terms of so many automobiles, shoes, dresses, refrigerators and whatnots, on the assumption that these liquid resources are burning a hole in the public pocket and will pour forth in a flood as soon as the supply of purchasable goods reaches ample proportions. A closer study of American thrift habits, the diffusion of these funds and their character, however, indicates the need for cautious reservations when it comes to appraising the manner in which the average citizen is likely to satisfy his craving for essentials and luxuries in the postwar. Indubitably, the buying power never was as great as now, but to what extent it will be activated, and how, is quite another matter. And in our economy, the practice of buying goods on the instalment plan has minimized the importance formerly attributed to cash.

Current estimates of individual savings, emanating from a number of reliable sources, differ widely as to totals because of the progressively changing picture and the wide range of definitions employed. As such items as surrender values of insurance policies, liquidation of debts, and purchases of homes—all items included in basic statistics on savings—are of no value in determining buying potentials for goods, considerable discounting of many estimates is essential. For the purpose of this discussion, holdings of cash and war bonds plus deposits in the bank constitute the only basis for national expectancies in expressing buying power, and while even these selected totals add up to a sum now probably topping $100 billion dollars, chances that in actual experience more than a minor portion will be used to purchase goods become dimmer upon analysis of the situation.

Take money in circulation, now over $26 billion, as an example. Recent reports of the Treasury Department indicate that as much as $7.5 billion of this sum is in bills of large denomination, an almost sure sign that most of it is tucked away in mattresses or held by illicit business or tax evaders. Of the balance, a major portion is probably held by individuals though the part in the hands of business may also be substantial. The amount of cash available for normal spending, therefore, must undergo a measurable shrinkage.

Of the $45 billion War Savings Bonds outstanding, perhaps $36 billion are held by individuals, many of whom will continue to cash in their bonds to meet current expenses. On the other hand, a very substantial number of bond buyers will retain their holdings because of their superlative investment merit, and redemptions to date have cleared the field of a multitude of casual or impecunious holders. Thus far, redemptions have averaged about 1% per month of total war savings bonds outstanding, and while in recent months the percentage has risen sharply, curiously enough many of the proceeds are reported to have found their way into savings accounts. As a measure of potential buying power, probably not more than $15 billion war bonds should be considered as a base.

When it comes to bank deposits, sharp distinctions are in order, for history has proven that funds placed at interest or in genuine thrift programs tend to become remarkably static, and only in case of extreme emergency or the attainment of well defined objectives are they likely to be disturbed. Only demand deposits, accordingly, are of a volatile char-

acter sufficient to warrant their inclusion in estimations of buying power. Furthermore, the uneven distribution of demand deposits, only about 15% of which are believed to be held by workers, employees and salesmen, radically alters the spending significance of these funds in the picture under discussion, for while individual demand deposits have soared to about $30 billion, their heavy concentration in the hands of relatively few people with more ample incomes tends to create questions as to their prospective disposition.

All said, it appears likely that estimates of liquid savings of all kinds which may be converted into goods should be shaved down to about 50% of the total savings reported. On the premise that this net amount might reach $50 billion, a strong foundation to bolster a spending spree in the near future clearly exists, but again the presence of other factors tempers the outlook. After the First War, records show that for a full decade individual savings trended sharply upward rather than down, even during the serious depression in 1920, in fact almost doubling by 1929. If a similar trend should develop after War II, the scramble for long absent goods may be somewhat moderated, with consequent easing of inflationary pressures, although no doubt exists that even if savings constitute less of a leverage upon prices than might be expected, the public will and ability to satisfy desires for new merchandise is going to find expression on a huge scale.

Bank Competition

In the financing of individual purchases in postwar, chances are that a combination of pay-as-you-go policies and credit will come heavily into play; for instalment buying and charge accounts particularly had won a permanent and very sound position in the American economy prior to the war. Banks long ago learned that if the average citizen agreed to repay even unsecured loans at periodic intervals, such credits constituted a prime risk, resulting in losses as low as 1/4 of 1%. Similar experience followed the institution of programs to stimulate the sale of automobiles, refrigerators, washing machines and other durables on instalment plans, resulting in a new and profitable field for finance concerns geared to handle the complexities of various classes of distributors. It has been amply proven that if an individual undertakes to buy any item upon a basis of time payments, the chances of default will become progressively slimmer as the payments grow numerically.

Instalment buying, it is interesting to note, tends to grow in popularity and volume with a close relationship to the national income and savings accumulations, as will be observed by scanning the accompanying chart which discloses corresponding trends of the three factors mentioned during the 1929-44 period. Apparently, cash in the bank or a secure sense of income lend confidence to the employment of instalment purchase programs, and with individual savings now at peak levels and every prospect of boom conditions for wage earners, charge accounts and instalment receivables for durables appear to be headed for record peaks in due course, when factory output gets into its stride. As a result of inability to buy goods during wartime, it will be noticed from the chart that consumer debt, in contrast to its normal trend, dropped abruptly from 1941 until the middle of 1943, the total shrinkage amounting to over $3 billion, but since then the curve has tended slowly upward, probably in part due to an enforced growth in demand for second hand automobiles. Plenty of room for rapid, near-term expansion in instalment buying is afforded at the currently low level of consumer debt.

Credit Curbs

The Government, in an effort to curb inflation, expects to retain for some time yet its Regulation W requiring the payment of short term charge accounts by the 10th of the month following the purchase, but already the department stores, for the first time in several years, are openly encouraging customers again to use credit facilities in making their purchases. More liberal is the Government attitude toward instalment purchases, as restrictions are slowly but surely in process of easing; down payments must still be substantial, however, as long as inflationary pressure persists.

Both banks and finance concerns are girding for an all-out battle to finance instalment credit as the era of high promise opens up. While the well integrated operations of the leading industrial finance companies gave them a decided advantage in prewar, similar potentials are now being provided for country-wide groups of banks. The competition promised has led the finance concerns to drop their rates from 6% to 4%, but even at this level the profit margin is wider than appears, because the rate is figured on the original sum borrowed, regardless of periodic payments. As the finance companies currently can borrow almost unlimited amounts of money at 3% (*Please turn to page* 48)

Statistical Data on Leading Finance Companies

	Receivables ($ Millions) End of 1941	Receivables ($ Millions) Latest*	Gross Optg. Inc. ($ Millions) 1941	Gross Optg. Inc. ($ Millions) 1944	Working Capital ($ Millions) 1941	Working Capital ($ Millions) 1944	Net Per Share 1941	Net Per Share 1944	Dividends 1941	Dividends 1944	Recent Price	Div. Yield	Price Earnings Ratio
Beneficial Ind. Loan	82.925	55.680	27.187	24.924	63.379	56.188	$2.36	$1.93	$1.70	$1.35	27	5.0%	14.0
Commercial Credit	394.814	78.651	29.322	7.830	151.136	76.858	4.65	2.80	3.00	2.25	50	4.5	17.8
C. I. T. Financial	585.703	99.855	53.376	12.149	261.766	116.427	4.78	2.10	4.00	2.55	55	3.8	26.2
Household Finance	80.058	58.537	22.649	17.740	62.558	59.279	2.04(a)	1.77 a)	5.00	1.40(b)	27	6.5	15.2

*—June 30, 1945.
a)—Adjusted for 3-for-1 split in 1945.
(b)—Indicated div. for new stock; actually paid $4 in 1944 before 3-for-1 split.

Happening in Washington

Charles-Phelps Cushing Photo

BY E. K. T.

RUMORS of pound sterling depreciation growing out of current British-American loan negotiations can be completely discounted. Lord Keynes has gone out of his way in press and private discussions to deny that any such move is contemplated. Indeed, excellent progress being made by the Economic Mission in Washington would seem definitely to put a stop to the gossip which has been disturbing to the exchange market. Fiscal branches of the government are completely satisfied with what is going on, what it forebodes.

Washington Sees:

It can safely be put down as fact that the Truman honeymoon has ended, earlier but no more definitely than did the era of good relations between his predecessor and congress.

Congress members had been eager to do almost anything the President requested. They realized he entered the White House in a period of great emergency, that their wholehearted cooperation was required in the public interest. Now it is apparent that Capitol Hill intends to make its own influence felt more emphatically.

But the President has not been caught napping. Recognizing the feel of chilly weather, legislatively, he is conducting regular conferences with congressional leaders, making some headway in restoring amities. But the teamwork has been tardy in getting underway.

President Truman has expressed irritation at congress. It let him down, he protested, on unemployment relief. Congress leaders think he was the one who did the letting down when he submitted an unemployment plan already rejected in principle.

The President is congress-conscious. His recent action in promoting consultation between the White House and Capitol Hill suggests a safe prediction: as the agencies are linked to the President by Cabinet meetings, the lawmaking branch of the government soon will be linked to the Executive Office by what, for want of a better term, might be called a "Legislative Cabinet."

REAL ESTATE in the United States—and that means 50 million parcels of property—will come under the wing of the Office of Price Administration if Chester Bowles has his way. That would choke a major industry. Congress is being asked to stop Bowles, and probably will. OPA wants to determine ceiling prices in a field beset by variables, including climate, source of building materials, utilities, together with the numerous imponderables that enter into a business which is historically speculative, probably always will be.

CONGRESS is running dangerously close to the deadline for extension of the emergency powers of the President. Continuance seems necessary to orderly reconversion. Second War Powers Act which affords the authority for allocations, priorities and rationing ends with the close of the calendar year; the Stabilization Act, affecting wage and price regulation expires next Spring. Extension bills will afford opportunity to blow off political steam, but prospect is that the President will eventually receive the go-ahead signal.

AGRICULTURE is entering one of its most troublesome periods. The "farm problem" will be heard about in the next few months with much greater frequency than in the pre-war period. Federal legislation requires price support for numerous commodities which actually are in surplus. Farmers want the statutes on the books as protection, despite the fact that no signs point to market drops when domestic needs and purchases for world distribution are considered. Confusing situation is the circumstance of reports, issued on same day, stating the world faces food shortage, and that the United States has a record-breaking crop of staples about to be harvested.

MAJOR SOURCES of tin, rice, fats and oils—the Philippine area, Dutch East Indies and east of Burma—remain a vacuum from standpoint of information. State and Agriculture Departments are seeking information for guidance of industry but find that the British are using tin, particularly, as ace-in-the-hole for trading purposes. Disclosure that United States has picked up equivalent of 11,000 tons in Belgium and Holland since V-E Day, is examining other stockpiles, may have early and important effect on British policy.

AS WE GO TO PRESS

Important to domestic industry is the announcement that intercoastal shipping will begin soon after Nov. 1 with fast 17-knot ships initially under War Shipping Administration management, soon turned over to private operators. Schedules are in the making.

United Nations' Maritime Council -- composed of all maritime nations -- will meet this month, and a program for de-requisitioning of ships will be drafted. United States wants to end controlled shipping, Four vessels will be put into China runs next month, will be followed by fast freighters to the Far East. Nevertheless, excess of shipping tonnage will see approximately 600 Liberty craft tied up within the next six months.

Negotiations on behalf of Great Britain carried on by Lord Keynes will, it is predicted, result in the greatest international horse trade in history. British will give more ground than they now pretend they ever will. Restlessness in her Dominions is one of the principal reasons. The American doctrine has been flatly put, will be adhered to. Demanded are free world trade, the end of quotas, end of blocked exchanges, bloc preferences, controlled shipping and cartels. Britain will take it.

Competition and results, the official planners now seem convinced, can best be obtained by turning industry loose on its own. Government will assist. Commerce Department is planning a greatly expanded organization to furnish information and guidance.

Agriculture likewise sees the need for expansion of its activities in assisting the development of foreign trade and sale of agricultural implements. State Department will be available to assist other government agencies and trade groups on broad questions and policy. Also, State Department will consult with the others on trade agreements and negotiations affecting exchange.

Cash markets today are South and Central America, South Africa, Philippines, Sweden and Denmark, Commerce Department advises. In a limited degree, others are the Netherlands, France, Belgium and their colonial possessions. Hope is held the Middle East will open up to trade shortly.

As to the rest of the world, much depends upon credit conferences and negotiations now underway preliminary to the World Trade and Economic Conference, similar to Bretton Woods, which will be announced when agreements have been reached.

Revised listing of government-owned war plants which are, or soon will be, available for lease or purchase has been completed and sent to RFC field offices for examination. Carried is basic information such as locations, sizes and general features of approximately 950 facilities. RFC field offices have additional detail, including illustrated brochures showing architectural plans, engineering details, information on local transportation and utilities.

Banks and other lending agencies soon may be able to invoke a Veterans Administration guarantee without initial examination of the loan by government agencies.

Already passed by lower branch of Congress is an amendment to make that possible. The Senate is balky, feels it goes too far in the direction of private control over that phase of the GI Bill of Rights. Gen. Omar N. Bradley, Veterans Administrator is opposed on the same grounds.

In operation over one full year, the guaranteed loan provision has resulted in 24,000 applications of which 19,500 have been approved. Applications for home loans far outstrip those for financial assistance in buying farms or establishing businesses.

Relaxation or outright cancellation of rationing on meat and on shoes are early prospect. But Chester Bowles is not giving an inch on his formula for fixing ceilings on civilian goods which will flow in the wake of reconversion.

End of gasoline rationing took some of the heat off OPA and that agency looks for like results from similar action on meats and shoes.. Bowles hopes to gain some congressional support by appearing before the house banking and currency committee to make a "report." He's taking a chance on an extremely chilly reception.

Insurance experience gained by the Army Air Forces during the war should be made available to insurance companies and the public, U. S. Chamber of Commerce declares in a communication to the War Department. Full disclosure is asked, The Chamber, compiling material on types of coverage available to aviation interests, hopes to round out its report with data which now reposes in official files.

Majority party "line" on British loans is becoming apparent. No dangerous trend in the political switch from conservative to labor governments is conceded; no support of socialistic system is acknowledged. Great Britain, it will be argued, has the same objective as the United States: peace, full employment, economic expansion to make possible a higher standard of living.

Echoing through official discussions is the contention that Britain intends to achieve those goals within the framework of free enterprise, is bent upon preserving that system. But, leaders submit cooperative effort toward the common goal must be implemented by financial aid -- the United States paying the bill.

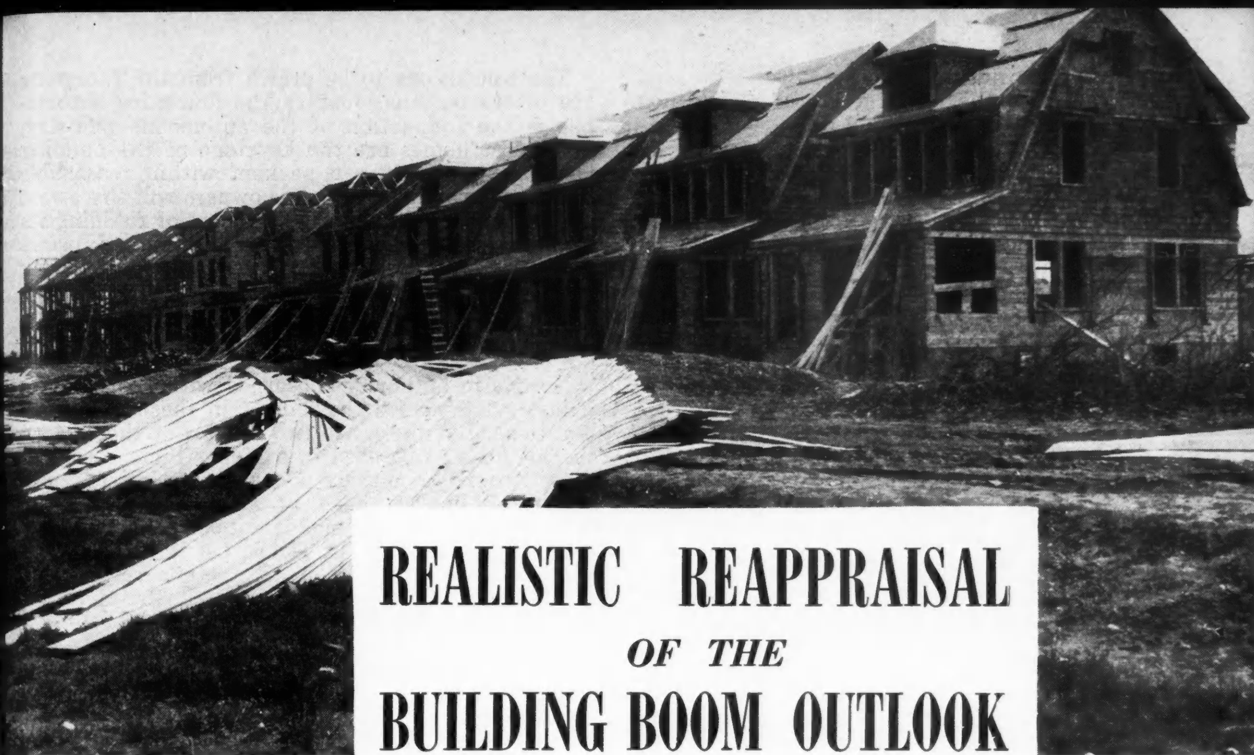
Argument continues that if Great Britain can have assistance from the United States in dollar exchange it will be possible for her to go along with this country in developing world trade on a multi-lateral basis, to accept the Bretton Woods agreements, to modify Empire preference and relax exchange control.

Otherwise, the country will be told, Great Britain will be without dollars and that country will have to control exports and imports, tighten the sterling bloc, and retain exchange controls. Great Britain has the sterling bloc and the right to remain outside the Bretton Woods Agreements, runs the effective argument.

War Production Board intends to consider industry item by item and will call in experts from operating plants to assist in determining whether materials which have piled up during the war may safely be placed upon the market without seriously interfering with post-war production.

First, and comparatively insignificant, of the items considered was building hardware. WPB and SPB called manufacturing executives to Washington for discussion, determined to have the squawks in advance, if at all. The result: builders hardware accumulated by the government will be fed into the channels of trade gradually; there is no apprehension by reconverting industry that the results will be harmful.

All signs point to sizable spurt in volume of home repair and improvement. Federal Reserve Board will suspend credit regulations this month. Following soon will be liberalized Federal aid on small home mortgages.



REALISTIC REAPPRAISAL
OF THE
BUILDING BOOM OUTLOOK

Galloway

BY EDWIN A. BARNES

THERE is in the making the greatest building boom in the history of the United States! It is estimated, optimistically, that there is a deferred backlog of construction of between $50 and $75 billion dollars.

The outbreak of war caught the nation with inadequate housing facilities, a situation which snowballed into unparalleled proportions when, of necessity, new construction became practically limited to only the most essential emergency housing. Private building has been at a virtual standstill for four years, and total construction volume dropped from $13,600,000,000 in 1942 to $4,000,000,000 in 1944.

There exists today such an acute shortage of housing that in some of the more densely populated urban centers the search for a place—any place—to live in has become a desperate scramble. And this shortage will get worse before it gets better, with hundreds of thousands of service men returning to civilian life. Some 1,400,000 servicemen's families have not yet established themselves in homes of their own. It has been estimated that during the next ten years a minimum of 12,500,000 homes will be needed. During the building boom which followed the last war, about half that number of homes were built.

From a social standpoint, the resumption of home building cannot start too soon. From an economic standpoint, the huge potential market for new homes is of manifest importance.

In fact, long before V-E Day, Government planners and economists, aware of the steadily mounting shortage of homes, were counting heavily on the building industry to smooth the road of reconversion. It was felt that the reconversion problems in this industry would not be great and that it would be able, almost immediately, to step in and take up a lot of slack, until other big industries could complete their change-over to a peace time status.

The building industry was well cast in the economic role which it had been chosen to fill. For not only is the building industry vitally important as such, but it is a prime contributory factor in a score of other industries — steel, railroads, truck, paint, cement, lumber, glass, heating and ventilating and hundreds of satellite manufacturers of building hardware and equipment. It is estimated that at least 4,500,000 persons, possibly many more, can be employed directly or indirectly in the building of new homes. This total would be further swollen by the addition of workers needed for industrial and public construction.

Prerequisites of a Boom

Here then, in the building industry, is an economic force of unequalled importance. The question is what conditions are necessary to insure its full effectiveness?

The need for new homes can be conceded without much further discussion. Restricted building, obsolescence, and the growing number of families combine to create a potential market of unprecedented size. Superimposed on the need for private dwellings, there has also been built up a long deferred need for industrial, public utility and railroad construction; many new public buildings such as schools and churches are needed; new roads, bridges and transit facilities will be built; and a large number of municipal airports are planned. All of which adds

up to a very glowing picture, indeed.

It is, however, the construction of new private dwellings that will spark the boom — if such it proves to be. Latent demand, in itself, does not guarantee a boom, and to become effective must be given force by buyers—buyers who have the necessary wherewithal and the urge to spend, or invest.

The purchase of a home is a major undertaking. This is true almost regardless of the financial circumstances. The ideas of the entire family must be listened to and weighed and finally incorporated into the "ideal" home. The next step is to tailor this dream house to fit the budget. And right there is where the big hitch may develop.

Low Cost Homes Vital

This brings us to condition number two: To activate the demand for new homes and prolong the economic benefits arising therefrom, these new homes must be made available at prices and terms which will attract mass demand. If this condition is not met, the building boom may well "die a'borning."

It is a well established fact that the accumulation of savings and war bonds by individuals during the past four years has been of record proportions. A recent survey made by Architectural Forum revealed that of 2,778,000 families interested in buying or building a house, more than half had the cash or war bonds to pay for it. But even more significant, this same survey found that some 70 per cent of these "prospects" planned to spend less than $8,000 for their house. Estimates made by the National Housing Agency indicate that only 12 per cent of the 12,500,000 new homes which will be needed over the next decade can be sold at a price above $7500—or rented for more than $75 a month. The need for homes between $5,000 and $7,500 is placed at 21 per cent. If these estimates are borne out it will mean that two-thirds of the needed homes must be priced under $5,000—or rent under $50. At least 20 per cent of this latter group will have to be priced so low as to be unprofitable for the private builder to handle; they will have to be provided by municipal housing projects, or their like.

The conclusions to be drawn from the foregoing are pretty obvious. Just as the low price automobile is the foundation of the automobile industry, lower cost homes are the keystone of the building boom. Unless costs can be kept within reasonable bounds many expectant home owners will shy away. The building boom will fall far short of fulfilling its destiny if real estate values become inflated, prices of building materials soar, and wages of building labor increase substantially.

Price Control Measures

No one in authority concerned with the building industry has denied the danger in these latter implications. But there are two schools of thought on the methods to be used in avoiding them. Between these two methods there is considerable divergence.

Chester Bowles, head of OPA champions the cause of price fixing, and is supported by ex-Economic Stabilizer Will H. Davis. On the other side, advocating the removal of all wartime restrictions on building, are ranged Director of Reconversion Snyder and the solid ranks of private building interests.

The recent announcement of the removal on Oct. 15th, of all building restrictions embodied in WPB Order L-41 was a signal victory for Mr. Snyder's forces. Formerly, under this order, the cost of a new home was limited to $8,000, and full control over the use of building materials was vested with the War Production Board. Mr. Bowles is strongly favoring OPA control of the cost of building materials, construction, real estate values and the final sales prices of new homes. OPA will continue to control prices of building materials and lip service was paid to WPB demands by a program, somewhat vague in its scope, involving conservative lending policies by Federal credit agencies, a "stabilized cost" procedure in making appraisals, inventory controls to prevent concentration of vital building materials in a few hands, and cooperation with various representatives of the building industry groups.

There is no question as to the sincerity of Mr. Bowles aims. Wisdom and foresight are needed in

Statistical Data of Selected Building Companies' Stocks

	In Dollars Per Common Share										
	Book Value	Net Current Assets*	Cash Items	1936-9 Avge. Net	1944 Net	1936-9 Avge. Div.	1944 Div.	Div. Yield	1944-45 Price Range	Recent Price	Price Earnings Ratio
Alpha Portland Cement	$32.94	$14.70	$11.83	$ .78	def $ .12	$1.06	$1.00	2.9%	34¾-17⅜	34	......
American Radiator & S.S.	10.10	5.22	5.08	.45	.64	.37	.40	2.2	18 - 9	18	28.1
Celotex	8.76	Nil	4.11	1.13	.54	.15	.50	2.5	20 -11	20	37.0
Certainteed Products	4.21	Nil	3.51	def .61	.38	Nil	Nil	......	15⅞- 4⅝	15	39.4
Crane Co.	37.21	15.48	11.90	1.90	2.49	.40	1.50	3.7	40⅞-18¾	40	16.0
Flintkote	17.86	7.16	13.86	1.64	1.38	1.02	.90	2.8	33½-18⅜	32	23.1
Johns-Manville	74.07	29.80	19.01	4.09	6.39	3.06	2.75	2.0	143 -84⅝	137	21.4
Lehigh Portland Cement	44.19	9.47	12.93	1.84	1.20	1.50	1.00	2.5	40½-21	40	33.3
Lone Star Cement	49.56	18.66	11.36	3.52	2.17	3.12	1.75	2.7	66 -40¾	65	30.0
Masonite	15.72	5.76	7.82	2.41	1.69	1.59	1.00	2.0	51½-37¼	49	29.0
National Gypsum	7.19	Nil	3.12	.51	.42	.06	.25	1.2	21¾- 9	21	50.0
Ruberoid	46.60	20.63	8.76	1.82	2.08	1.26	1.25	3.0	42½-25	42	20.1
Sherwin Williams	75.60	41.27	30.12	6.21	5.55	3.81	3.00	2.3	131⅝-91½	131	23.6
United States Gypsum	53.79	24.72	25.46	4.38	3.07	2.94	2.00	2.0	104 -70	101	32.9
Yale & Towne Mfg.	52.45	33.88	20.82	1.86	2.99	.84	1.00	2.1	47¼-27½	47	15.7

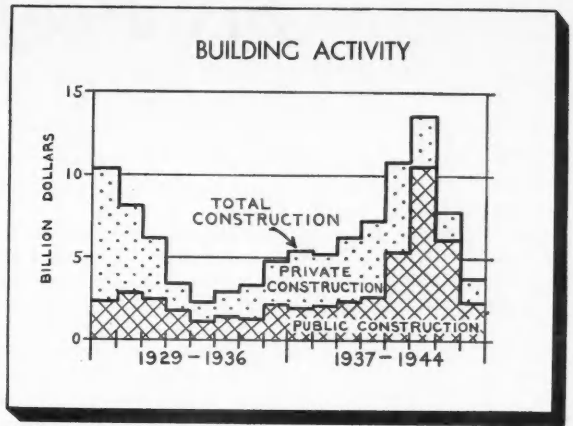
*—After prior obligations.

dealing with the complex price structure upon which the building industry rests. But Mr. Bowles program would involve a difficult problem of administration and may perhaps slow the progress of new building. Building interests are confident that dangers lurking in the threat of rising costs and prices may best be mitigated, if not dispelled entirely, by unrestrained production of building materials and construction of new homes. They may have an opportunity to prove their point.

Meanwhile, Mr. Bowles is carrying his fight to Congress, asking for legislation to give him control, beyond the expiration date of the price control law, over virtually the entire price structure of the building industry. Reports from Washington question his chance of success though no doubt there is a good deal of support for his proposal.

The responsibility for holding costs within limits which will induce mass buying by no means rests solely with the producers and manufacturers of building materials and equipment. Of the total cost of a home nearly 30 per cent represents the cost of construction labor, according to figures compiled by the National Housing Agency. Because of the insistence of trade unions in adhering to antiquated handcraft methods, various make-work rules and a system of limiting apprentices, labor constitutes an inflexible cost item. A considerable reduction in the cost of labor could undoubtedly be effected, were the present practices given a thoroughgoing revision. The same also applies to long standing building codes and ordinances. In nearly every municipality, these are sadly in need of being brought up to date. In doing so, a salutary contribution could be made toward encouraging new building.

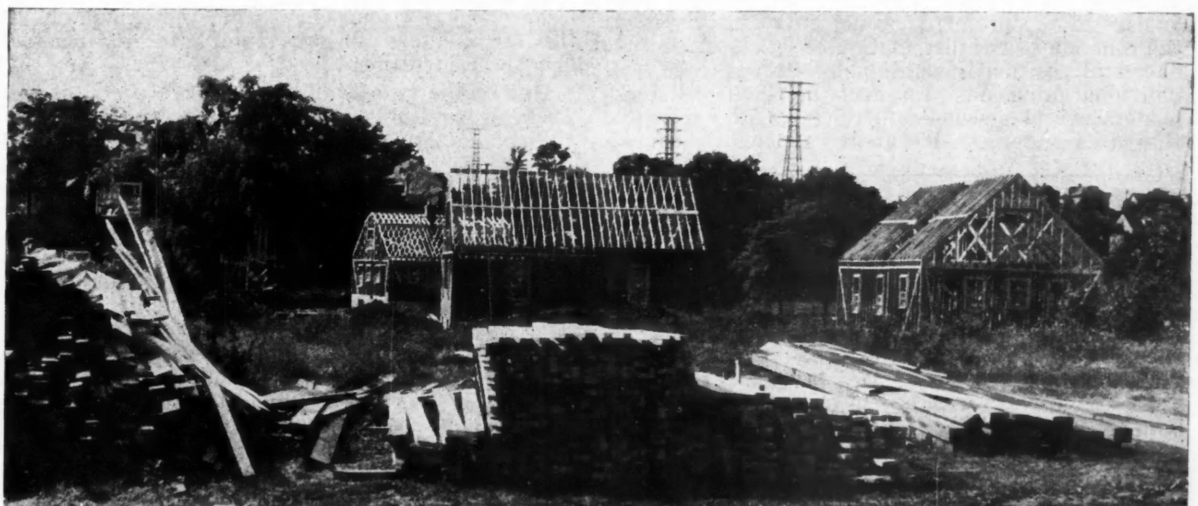
Much that has been written here bears on the construction of private dwellings. This emphasis is justified by the fact that it is this single phase of the building industry that is most pregnant with boom potentialities. Further, it is the unit home costing somewhere in the neighborhood of $6500 on which the greatest demand will be concentrated. What happens in this market will probably decide the fate of the entire building boom.



If the boom does materialize, it is certain that a sizable number of higher cost homes will also be built, to say nothing of many thousands of lower cost houses. Much has been heard of the pre-fabricated house but somewhat like television it seems to have suffered from too much ill-timed publicity. The pre-fabricated house is a reality and a number of manufacturers are planning to "push" this type of housing. To cite only a single instance, Gunnison Homes Inc., a subsidiary of U. S. Steel, is planning to spend $1,000,000 for increased plant capacity, ultimately enabling the production of 1,650 pre-fabricated houses annually. For the present, however, the market for the pre-fabricated dwelling seems likely to be pretty much confined to very low unit cost housing and for camps and rural buildings. Not until pre-fabricated housing makes a stronger competitive bid, on a quality as well as cost basis, is it likely to supplant the conventional home as we know it today.

Paced by the revival of home building, there will undoubtedly be a large scale renewal of construction of apartment and multiple family dwellings in the large urban centers. It is anticipated, however, that this phase of the industry will experience some lag, marking time while (*Please turn to page* 50)

New Housing Development In New Jersey



Cushing

Six Preferred Stocks For

BY J. S. WILLIAMS

INVESTORS mainly dependent upon income from securities to meet the uptrend in living costs, and reluctant to take a chance on common stocks, find increasing difficulty in the selection of media to fit their individual requirements. With yields from savings bank interest, bonds, mortgages and annuities shrunken to discouraging levels, both private and institutional capital has reached out on a broad scale for preferred stocks of sound concerns, a process resulting in historical peak prices and low yields as a rule for these investment media also. Indeed, so far has the pendulum swung that yields of innumerable preferreds have closely approached those of bonds, establishing a range of from 3⅜% to 3¾% for top grades. Still available, however, are a few preferreds of good companies currently priced to yield 5% or better, and of these we have selected six possessing fundamentals and potentials which appear to warrant confidence as satisfactory investments.

Pertinent Factors

Aside from an attractive yield and the fact that they enjoy a preference status in the capital structure of large, well established concerns, the half dozen issues under discussion all enjoy three additional advantages in common; dividends are cumulative, none are in arrears, and in no case does the current price for the shares exceed that at which they may be called for redemption. Viewed more closely, this means that any lapse in the agreed dividend rate during a lean period must be fully compensated for later on before common stockholders can receive so much as a penny in distributions, that any such previous lapse—if it occurred—has now been fully rectified, and that current buyers of the shares will face no capital loss if the concern elects to retire the shares. As in the event of voluntary or involuntary dissolution of the enterprise, holders of the preferred would enjoy priority over the common in the distribution of assets, their fundamental position is additionally strengthened, and individual provisions to protect the privileged stockholders will be discussed further on. All said, while the cases under consideration vary widely in certain respects, principal and income of all enjoy reassuring factors above average, and in view of their attractive yield, further appreciation in price is not impossible as the competition to improve income continues apace.

Dominant factor in the nation's sugar refining industry is the *American Sugar Refining Co.,* well integrated through ownership of six large tidewater refineries, extensive sugar plantations in Cuba, financial interests in domestic growers of sugar beets, docking facilities, and factories to make barrels and cartons. A daily melting capacity of 17.7 million pounds accounts for about a third of the domestic total. With no funded debt, the 450,000 shares of 7% preferred stock and 450,000 shares of common represent a well balanced and conservative capitalization. After deductions of over $50 million for depreciation, book value of the preferred is about $319 per share, of which nearly $95 per share consists of liquid assets. Working capital of $42,485,000 is ample as on December 31, 1944, current liabilities amounted to a relatively modest $12 million, including taxes payable.

Strong Cash Position

A strong cash position and unusual stability of earning power has enabled American Sugar Refining Co. to pay dividends on its preferred without interruption since 1891, a period of 54 years, and during this long time, more variable dividends were paid on the common in every year but three. Last year's net equalled $12.11 per share of preferred, and during its half-century career the company has rarely failed to earn full coverage on its senior issue, although world production of sugar at times glutted the markets. Current shortages enhance the outlook for several years to come and past good records of this concern lend confidence to its longer term progress. At recent price of 140 this preferred issue yields 5% and as it is not redeemable at all, the stock offers an opportunity for satisfactory long-term investment.

One of the two leading makers of locomotives is *Baldwin Locomotive Co.,* established in 1911, and the current status of this concern lends considerable attraction to its preferred stock. For many years prior to the 1929 crash, Baldwin was unusually prosperous, paying substantial dividends on its common after meeting all requirements on a large issue of preferred. Six years of depression and a top-heavy capital structure, however forced a reorganization in 1937, since which time the present issue of approximately 125,000 shares of preferred stock has progressively gained in fundamental soundness.

Pertinent Statistical Data

	Dividend Rate	Par Value	Callable At	1945 Price Range	Recent Price	Yield	Earned in 1944 on Preferred	No. of Times Fixed Chgs. & Pfd. Div. Earned
American Sugar	$7.00	$100	N.C.	142 -128½	140	5.0%	$12.11	1.7
Baldwin Locomotive	2.10	30	40	43 - 40	40	5.1	67.81	32.3
Budd Manufacturing	5.00	No	100	94¾- 74⅜	94	5.3	12.50	2.2
International Paper	5.00	100	105	101⅞- 83¾	100	5.0	9.12	1.5
Radio-Keith-Orpheum	6.00	100	105	104½- 91	104½	5.7	44.16	4.0
Sharon Steel	5.00	No	105	95 - 78	91½	5.4	17.92	3.2

Secure and Substantial Income

In recent years, Baldwin has expanded into the manufacture of Diesel and electric powered locomotives and heavy industrial machines, besides acquiring a 61% interest in Midvale Steel Co. and a 32% interest in General Steel Castings Co. Orders booked by the company soared from $34.5 million in 1937 to a peak of $225 million in 1944 and working capital showed a respective gain from a low of $6.6 million to $17 million at the end of 1944. Earnings applicable to the preferred during the past five years have totaled $264 per share after taxes, reaching a peak of $67.81 per share in 1944. As the preferred has a par value of only $30 per share, 7% dividends require a per share payment of only $2.10 per annum, highlighting the wide amount of earnings coverage achieved. While postwar volume and net may dip, the enormous and worldwide demand for modern motive power, should sustain good earnings for a long time to come. The preferred is redeemable at $40 per share and in recently selling at this same price yields 5.1%, all factors considered, an attractive figure for a relatively small-sized cumulative preferred of this character.

E. G. Budd Mfg.

Another concern marked with current strong potentials to offset an unimpressive record during the early 1930s is *E. G. Budd Manufacturing Co.*, an aggressively managed concern manufacturing steel bodies for the leading manufacturers of automobiles and passenger cars for the principal railroads. Following five years of very profitable war production, Budd is faced with dual prospects of continued high level activity for its normal output and to meet the demand is planning broad expansion. As recently as 1943, this concern created a new issue of no par $5 preferred stock, cumulative as to dividends and redeemable at $100 per share, at the same time retiring by exchange or full redemption an old issue of 7% preferred heavily in arrears. As matters now stand, about 143,000 shares of the new preferred are outstanding, backed by net assets of some $36 million of which over $18 million is represented by working capital, the latter alone equalling $126 per share. In only two years out of the last ten have net earnings failed to provide a wide coverage for the dividends needed to service this issue.

Despite heavy taxes, net for the past five years has totaled $125 per share on the preferred, and even after payment of excess profit taxes equivalent to $48.67 per share on this issue in 1944, remaining net was more than twice the necessary amount for the preferred dividend. Probable relief from this tax next year should impressively widen profit margins as volume is swelled from $16 million planned expansion in facilities. Budd thus emerges into postwar in a strong position from every angle and its preferred stock at 94, yielding 5.3%, has many elements of attraction, although the business is sensitive to cyclical swings.

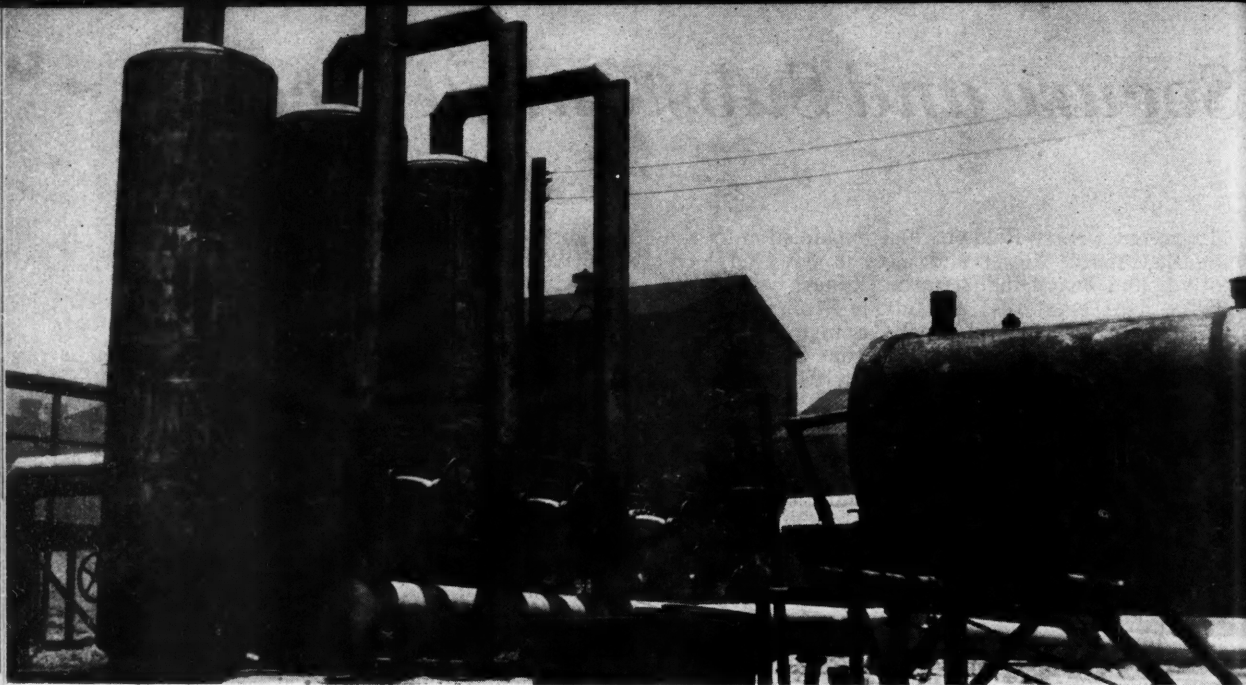
International Paper

The world's largest paper making concern is *International Paper Co.*, completely integrated through ownership or control of dozens of subsidiaries in the United States and Canada. From 16 million acres of timberland in these two countries, owned in fee or under Crown rights, pulpwood is produced for an immense output of newsprint, kraft paper and boards, bags and every class of specialty paper by scores of the company's mills. As a result of a recapitalization in 1937, presently outstanding are 925,966 shares of 5% cumulative, convertible preferred preceded by $48,796,000 bonds of the parent concern and its subsidiaries. While the convertible feature of the stock, exchangeable into common at 40, holds slim attraction at present, the issue has gained increasing investment merit during recent years and postwar prospects of the company are most encouraging.

Compared with 1937, book value of the preferred has climbed from $148.63 to a peak of $191.71 in 1944, despite heavy taxes and generous charges for depreciation and depletion. Net earnings for the last six years have covered the preferred dividend more than twice over on the average, amounting to $9.12 per share in 1944 after deductions of $21.11 per share for EPT, the latter likely to shrink drastically hereafter. Bolstering postwar potentials is a growing demand for kraft products, including containers greatly improved by wartime research, not to mention a prospective increase in demand for all forms of printing papers. True, prior charges upon income are not small, but in the longer term view the cumulative dividend on the preferred appears well assured, and at a recent price of 100, the stock not only yields 5% but is well below its redemption price of 105.

Sharon Steel

The 5% cumulative, convertible preferred stock of *Sharon Steel Corporation* has interesting aspects which come to light through study of this small but 45 year old concern. The issue is not unduly large and is junior to only $1.6 million of 2% notes due in 1949. Sharon Steel is a non-integrated producer of pig iron, steel billets, bars, strips, alloy and stainless steels, with varying financial interests in *Pittsburgh Steel Co.*, *Mullins Manufacturing Co.*, *Niles Rolling Mill Co.* and *Detroit Seamless Steel Tube Co.* In addition to these steady customers are the makers of automobiles and all kinds of durable goods. As an offset to several unprofitable years during the depression, Sharon has earned a total of over $160 per share on its preferred since 1935 and in spite of excess profit taxes equalling $28.95 per share in 1944, man- *(Please turn to page 53)*



Cushing

EXPANSION TRENDS IN NATURAL GAS INDUSTRY

BY HAMILTON OWEN

BEHIND it a record of uninterrupted growth—ahead of it a future replete with dynamic promise. That is the natural gas industry.

No longer a regional industry, largely concentrated in the principal areas of supply, the natural gas industry has been steadily broadening its scope to one of national status. This has been made possible through the development of long distance pipe lines permitting the transmission of natural gas to service areas far removed from the gas wells. Moreover, not only is natural gas a vital source of heat, but scientific research has made it an important repository for a myriad of chemical raw materials. Thus, does natural gas have what amounts to a double-barreled claim for its inclusion in the group of "growth" industries.

Last year total sales of natural gas were in excess of 2 trillion cubic feet, and more than double the 1929 figure. Total revenues of $678 million showed a gain of 75 per cent since 1929. It is a foregone conclusion that both sales and revenues this year will set another new record. Today natural gas is consumed in thirty-four states and is economically supplied to some of the nation's most important industrial areas and population centers. Domestic consumers number more than ten million; there are 45,000 industrial users and 785,000 commercial ones.

Reflecting the sharp impetus given by the war to industrial demand for natural gas, sales to this class of users last year accounted for more than 65 per cent of the total, while revenues accounted for more than 36 per cent of the total. Although consumption by residential users ranked second, domestic revenues exceeded the industrial figure by $113 million and contributed about 53 per cent of the total. Evidence of the industry's steady growth is the fact that residential sales have expanded on the average of 6 per cent annually since 1936 and this year may be nearly double the low levels of the depression period. With the building industry getting set for a veritable boom of national proportions, further important gains in the home consumption of natural gas are indicated for the coming years.

Early this year, when winter weather was doing its worst, the natural gas industry averted a dangerous crisis only by a very slim margin. Cold weather and a shortage of coal and fuel oil placed an unusually heavy strain on supplies of gas in storage, necessitating a sharp curtailment in gas supplies to critical war plants in the mid-West and Appalachian industrial areas. Readers recalling the publicity which attended the situation at the time might logically raise a question as to whether or not supplies of natural gas will be sufficient to meet the steadily growing demands.

Natural gas had its first large scale industrial use in the Appalachian region, and it is in this region that reserves of natural gas have undergone steady deterioration, and no important new discoveries have been made. Nor, according to competent geologists, are any likely. As if to confound engineering opinion, however, the Ohio Oil Co., last June brought in a well in West Virginia on the eastern slope of the Appalachians. Regardless, however, of the possible future of this particular region, there are no grounds for concern as to the over-all supplies of natural gas. The problem of shortages in the Appalachian region is unlikely to

recur this winter. Companies serving that area have made long term contracts which will assure adequate supplies from the Mid-Continent fields via long distance pipe line.

The Petroleum Administration for War estimated that as of January 1, 1944, recoverable reserves of natural gas in the United States were about 110 trillion cubic feet. Right now these reserves are probably nearer 150 trillion cubic feet. Without making any allowance for the discovery of new fields or the extension of existing fields, indicated reserves would be sufficient for upwards of thirty-five years consumption at the present rate. Reserves are being steadily augmented at a much greater rate than that by which demand is expanding.

Adequate Reserves Assured

Throughout all of the major fields in Texas, California, Kansas, Louisiana and in the Appalachian area, geologists are conducting an intensive search for new natural gas reserves. During the past four years, there has been an increase of 4,000 in the number of active gas wells and at the present time there are some 60,000 wells in the country. The largest known reserves are in Texas, where they are estimated at 65 trillion cubic feet. Hardly more than two years ago total of all reserves was placed at 100 trillion cubic feet. No, in the matter of reserves the natural gas industry would not appear to be faced with a problem any more serious than that in the petroleum industry, for example.

The crisis of last winter was not due so much to supplies as it was to lack of adequate facilities. R. H. Hargrove, chairman, Natural Gas Department, American Gas Association explains that the difficulties were not due necessarily to the record quantities of natural gas furnished but more to needed additional facilities and rearrangement of existing facilities to supply gas where it is required most. To that end the industry is planning to spend upwards of $120,000,000 for additional plant and equipment and the Federal Power Commission has approved projects for the construction of nearly 5,000 miles of additional natural gas pipe lines. It is estimated that these new lines will be capable of transmitting 400 million additional cubic feet daily at peak movements.

In an oil field, natural gas is looked upon as a dangerous but necessary evil. That it used to be, but it is rapidly turning out to be a blessing in disguise. Chemical research is responsible for changing natural gas from a sort of step-child of the oil industry to a highly respected member of the petroleum family. Prominent in exploring the chemical possibilities of natural gas have been such leading oil companies as Phillips Petroleum, Shell Union Oil and Standard Oil of New Jersey. Considerable success has attended their efforts in that direction and it is as an important source of chemicals that the natural gas industry contemplates a bright future.

Natural gas is a rich source of hydrocarbon molecules. These same molecules are also to be extracted from coal and petroleum. In the skilled hands of a chemist, natural gas can be modified, or "cracked" to yield a host of synthetic chemicals. Some of these chemicals include carbon tetrachloride widely used in the dry cleaning industry and for removing grease from machinery without abrasion; blending agents for improving the quality of gasoline; solvents used in the manufacture of paint; butadiene, the basic chemical used in making synthetic rubber; butyl alcohol used in lacquers. Natural gas chemicals can be used in the manufacture of high explosives and fertilizers, sulfa drugs and ether.

While it is to be admitted that the amount of natural gas used in making these various products is not large, research staffs believe that they have barely tapped the possibilities. Now that the war is over it will again be possible to utilize the services of chemists in the vital field of research which since the war has of necessity been on a modified scale, because of manpower shortages.

Another highly important potential use of natural gas is its conversion into fuel oil and gasoline. It is no secret that the oil industry is seriously concerned with the conservation of present reserves of crude oil and augmenting them by the development of new sources, and perfecting processes for the manufacture of synthetic gasoline and fuel oil. Utilizing the so-called Fischer process, which is believed to have supplied Germany with about 25 per cent of its synthetic fuels during the war, natural gas could be used to supply a large part of our gasoline and diesel oil requirements. Right now, leading research men in the oil industry are not agreed to what extent gasoline manufactured from

A Natural Gas Well in Texas known as a "Christmas Tree"

Cushing

natural gas would be competitive with the present crude oil product. The final answer to that will probably have to wait until Fischer plants have been erected and operated long enough to set up experience conclusions. Also there are bound to be process improvements and other incentives favorable to the establishment of an economical competitive basis. The point is, however, that natural gas is a proven source of gasoline and may some day be a vital secondary supply.

At the present time the principal use of natural gas as a raw material is in the production of carbon black. It is estimated that total production of carbon black this year will approximate 850 million pounds, much of it going into the manufacture of synthetic rubber. To produce this much carbon black will require 520 billion cubic feet of natural gas. Last year total production of carbon black was 760 million pounds and in 1941, the last year before our entry into the war, 594 million pounds were made.

Official Regulation of Industry

During the war the use of natural gas by industry as a source of heating fuel greatly expanded. It was extensively used in dehydrating foods, metal heating, forge work, aluminum fabrication and in the production of magnesium for aircraft. It was also employed in hardening armor plate, tempering instruments and firing ceramic kilns. Although some of these activities were stimulated by wartime necessity, much of the gain made by the industry in the fields of industrial application will be held. This is indicated by the efficiency in the use of complex radiant gas furnaces in various metal working industries.

Being engaged in marketing a natural resource and with much of its product entering into interstate commerce, the natural gas industry comes under the regulatory jurisdiction of the Federal Power Commission. As a public utility, rates are also subject to regulation by various state authorities. In recent years, the industry has been under some compulsion to lower rates and the FPC has sought to effect reductions in gas purchase rates and a corresponding lowering in the cost to the ultimate consumer. Recently, however, the FPC declared it had no desire to extend its jurisdiction over the natural gas industry beyond regulating the transmission of this natural resource in interstate commerce.

The natural gas industry as a whole is favored by relatively stable operating costs, since about 60 per cent of the total is made up of gas purchase or production costs. The fact, however, that earnings in recent years have recorded sharp gains has made the industry rather vulnerable to higher Federal taxes, but some relief in this direction seems certain in the fairly near future.

In some quarters there is a feeling that under the restrictions imposed by more stringent regulation of rates, earnings of representative companies supplying natural gas will henceforth show an increasing tendency to conform more nearly with the general trend in the public utility industry as a whole. Stated otherwise, it is contended that the industry's era of greatest growth in earnings is behind it and from this point on profits will tend to stabilize.

Growth Prospects

It cannot be denied that there is considerable validity behind this line of reasoning. On the other hand, the promise of growth in the use and applications of natural gas as a source of heat for both domestic and industrial use, its growing importance as a source of vital chemicals, and as a potential source of gasoline and fuel oils, are considerations which cannot be matched by other divisions of the public utility industry. These are the sort of factors characteristic of any thriving industry and inevitably they must find concrete reflection in revenues and earnings. In the process, the status and value of the securities of leading companies identified with the natural gas industry seem bound to benefit.

Following are the highlights of leading companies prominent in the natural gas industry: (see also accompanying tabulation).

Michigan Consolidated Gas Co., a subsidiary of **AMERICAN LIGHT & TRACTION** has proposed to organize a new sub- *(Please turn to page 52)*

Companies Prominent in Natural Gas Industry

	In Dollars Per Common Share									
	Book Value	Cash Items	1936-9 Avge. Net	1944 Net	1936-9 Avge. Div.	1944 Div.	Div. Yield	1944-45 Price Range	Recent Price	Price Earnings Ratio
American Light & Traction	$42.57	$7.76	$1.60	$1.40	$1.26	$1.20	5.2%	24½-16⅛	23	16.4
Arkansas Natural Gas "A"	4.69(a)	1.06(a)	.30(a)	.29(a)	Nil	Nil	.....	6⅜- 3	5	17.2
Columbia Gas & Electric	11.21	4.73	.48	.59	.21	.20	2.5	8¼- 3⅞	8	13.5
El Paso Natural Gas	19.86	1.96	2.95	3.58	2.00(b)	2.40	6.0	40 -27¾	40	11.1
Lone Star Gas	10.56	1.40	1.01	.90	.62	.70	8.7	15 - 8	13	8.9
Oklahoma Natural Gas	18.78	1.79	1.91	3.35	.25	1.55	4.7	35 -18¾	33	9.8
Pacific Gas & Electric	33.96	3.28	2.64	2.18	1.87	2.00	5.0	42⅜-30	40	18.3
Pacific Lighting	26.64	6.38	3.94	3.31	3.05	3.00	5.5	54⅛-39¾	54	16.3
Peoples Gas Light & Coke	86.19	32.70	3.49	4.67	1.37	4.00	4.5	88½-55	88	18.8
United Gas Corp.	11.84	3.71	.71(c)	.87	Nil	Nil	*	14¼- 8⅞	13	14.9

*—Paid $0.65 in 1945.
(b)—1937-9 Average.
(a)—Based on combined number of "A" and common.
(c)—Adjusted for present capitalization; 1937-9 average.

... Financial Housecleaning in Holland

... France drifting toward devaluation

... The Silver Price

... Deflation in China

•

WITH JOHN LYONS

IN evaluating the post-liberation accomplishments on the Continent of Europe, it should always be kept in mind that in the Netherlands the devastation had been greater than in other Western European countries, and that in revamping and in coordinating the Dutch economy to that of the Reich, the Germans have probably done a more thorough job than elsewhere on the Continent, Austria and the Protectorate excepted. The Dutch authorities, therefore, faced the tasks of reconstruction of devastated areas, reconversion and restoration of the country's economic activities to their prewar status. Since about one-third of the Netherlands' national income before the war was derived from international trade and transit services, the restoration of some order in the bad monetary situation is particularly important if the guilder is to be re-established as international currency. During the War, note circulation increased from Fl. 1.2 billion to more than Fl. 5.5 billion; a similar expansion took place in Dutch bank and savings deposits.

Withdrawal of Notes

The first move to reduce circulation and thereby bring about a better balance between the purchasing power and the goods available within the country was made in July, when 100-guilder notes were withdrawn from circulation. As a result, the notes outstanding dropped below Fl. 3 billion, but deposits continued to expand. A far more drastic purgative measure was announced by the Minister of Finance, Pieter Lieftinck, for September 26, when all old paper notes were to be withdrawn from circulation and all bank balances blocked. The move was designed, as in France, for taking stock of all the changes in individual and corporate wealth that had taken place during the war, for tax and forced loan (capital levy) purposes. It will be followed by the registration of securities and foreign exchange, and by a thorough investigation of individual life insurance, mortgage and real estate holdings. During the week ending October 3, each Dutchman had to get on with only 10 guilders in new notes and his ration book to meet the emergency; retail dealers are said to have agreed to extend credit to their regular customers.

After protracted negotiations, the Dutch also announced last month the conclusion of a monetary and trade agreement with Great Britain, much along the line of other Western European trade pacts with the sterling area. Trade between the Netherlands and Great Britain can now move freely until the central bank of either of the two countries builds up a credit balance of £5 million. Any balance in excess must be paid in gold. The trade agreement does not affect some £40 million of Dutch sterling balances blocked in London (exclusive of sterling balances of the Royal Dutch Line and Philips Lamp Company), some £5 million of blocked sterling accumulated by the Dutch East Indies and £20 million or so belonging to the Dutch West Indies.

The British have now concluded monetary and trade agreements with every Western European country except Portugal, Spain and Norway. The negotiations with Norway are said to have been broken off recently because the Norwegians demanded conversion into dollars of a part of their sterling balances in London, estimated at about £70 million. In view of the stoppage of lend-lease and the ensuing shortage of dollars, the British had no way of complying with this request.

Dwindling French Exchange Resources

The Bank of France is reported to have transferred last week \$500 million of gold—the equivalent of about 13 per cent of its entire reserve—to an Exchange Stabilization Fund, apparently to be used for paying for raw materials and foodstuffs. The latter are particularly badly needed in view of this year's poor crop; the wheat harvest was only about half as large as last year and the sugar beet output about one-third of normal.

The question is, how long will the existing French gold and foreign exchange resources last, in view of heavy import requirements when practically no new exchange resources are being created. French merchandise exports have been but a fraction of the pre-war figure, and tourist traffic which always

helped to bring about a closer balance in the country's international payments, is off for many months to come. In general, there is still relatively little to export except wine and perfumes, but the exports of even these products are negligible. It is said that the $400 million credit opened last spring by Great Britain to facilitate the trade with France has been practically unused. Similarly only a few French products have reached this country, although licenses permitting exports of about $300 million worth of goods have been issued by the French Government.

Apart from the shortage of goods, the failure of French export trade to revive lies in the fact that France is too expensive a country to buy from. An elaborate scheme of export subsidies, to be collected by taxing imports, is being proposed by the French Government, but a simpler and more direct way would be the adjustment of the franc to approximately its purchasing-power parity. The necessity of such a move is now being discussed with increasing frankness by the French economic and financial press which reappeared in recent months. Suggestions as to the optimum rate have varied greatly: from 80 francs to the dollar, a rate supposedly based on the relationship of production costs and wage rates in France, Great Britain and the United States, to 150 francs to the dollar, a rate calculated to reflect the relation of the available purchasing power in France to the present volume of production in the country.

Meanwhile, according to the Minister of Finance, M. Rene Pleven, industrial production is slowly picking up. Steel output rose from about 11 per cent of normal in January to 21 per cent of normal in August; textile production increased from 10 per cent to 36 per cent of normal in the same period, and coal output, the key to French recovery, reached almost 80 per cent of normal in September.

Silver and the War's End

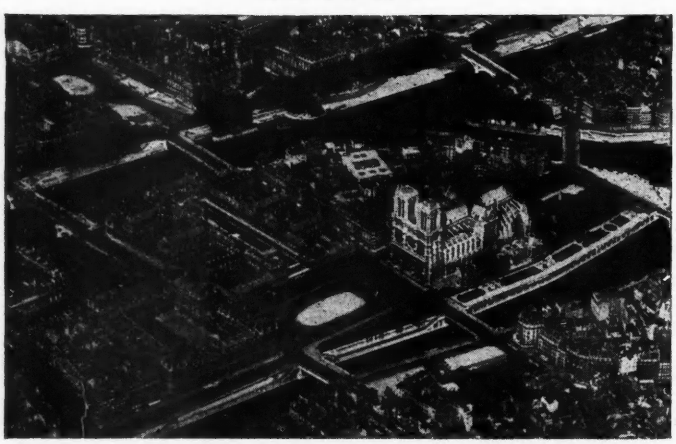
The reaction of the silver price in New York and Bombay markets to the end of the war has been quite different, illustrating once more the fact that there is no world silver market, but rather individual silver markets, insulated from each other by currency restrictions, transportation difficulties, and government regulations. Morever, as in various gold markets, the relation of the supply of silver to the demand varies greatly from one silver market to another. For example, the Bombay price of silver has exceeded $1 per ounce almost continuously since the Spring of 1943; yet the potentially great Indian demand for the white metal has had practically no influence on the New York market, because of the regulations on the use of dollars imposed by the Indian government and because of the shipping situation.

In the United States, the removal by the W.P.B. of all restrictions on the use of silver shortly after the war's end, has lead to a scramble for foreign silver, the price of which has been held at 45 cents per ounce. The reason for this scramble has been the huge pent-up demand for the metal on the part of luxury trades which were limited during the war to half the quantity of silver used in 1941 and 1942 and had to buy their silver from domestic producers at 71 cents per ounce. In view of this huge demand, the Canadian and Latin American silver producers raised their offering prices and as a result, the O.P.A. was forced, in order to provide access to the outside supplies of the metal, to raise the price ceiling on foreign silver from 45 cents to 71 cents, or up to the Treasury's buying price for newly mined domestic metal.

Shortage in Sight

Despite the higher price, there will probably be not enough foreign silver during the next few months to satisfy all requirements in this country. Our last year's consumption was estimated at about 125 million ounces, equivalent to about 85 per cent of world output in 1944. It is expected, however, that new production will be stimulated, particularly in Mexico, which normally accounts for about 80 million ounces of new production. Mexican producers are expected to realize between 50 and 55 cents per ounce, compared with 35 cents received in the last few years. Mexico will probably send us also some demonetized silver (for which our Treasury was a sink from 1934 to 1941) from silver pesos now being withdrawn from circulation because the O.P.A. move raised their bullion value from 19 to 27 cents.

Air-view of Paris



International

The Mexican Government is offering a premium of 20 per cent to all holders of silver pesos, of which there are about 400 million in circulation and about 100 million held by the Bank of Mexico. Successful demonetization would yield about 190 million ounces worth about $135 million at the present price, a real find for the Mexican Treasury. Cuba and Spain are two other countries with important silver money stocks which could be demonetized and sold to the American consumer at a profit probably difficult to realize in a few years from now.

While in New York silver went up, in Bombay the quotation declined from about $1.15 cents per ounce at the end of July to 95 cents per ounce at the end of August. Since them, some of the loss has been recovered. For the Indian speculator and investor, the (*Please turn to page* 38)

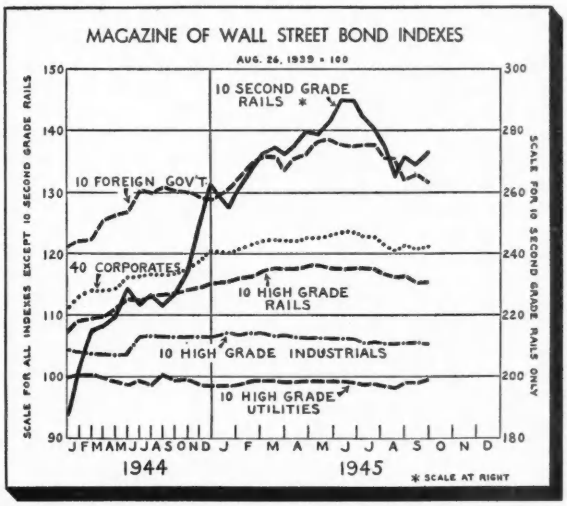
Opportunities for Income and Appreciation In Bonds and Preferred Stocks

BY JACKSON D. NORWOOD

MARKET TRENDS: The Magazine of Wall Street's index of bond prices showed the following changes during the period indicated:

	Sept. 15	Sept. 29	
Forty corporate bonds..	120.8	121.1	+ .3
Ten high grade rails....	115.5	115.6	+ .1
Ten second grade rails..	268.7	273.2	+4.5
Ten high grade utilities.	98.8	99.4	+ .6
Ten high grade industrials	105.6	105.2	— .4
Ten foreign government issues	132.8	131.6	—1.2

Quiet strength continues to feature practically all sections of the bond market. New offerings of both bonds and preferred stocks continue heavy as underwriters seek to clear their shelves prior to the forthcoming Victory Loan. Until December 8, when the Victory Loan drive will terminate there will be a virtual "blackout" of new corporate offerings. All indications point to well sustained price levels at or close to recent highs.



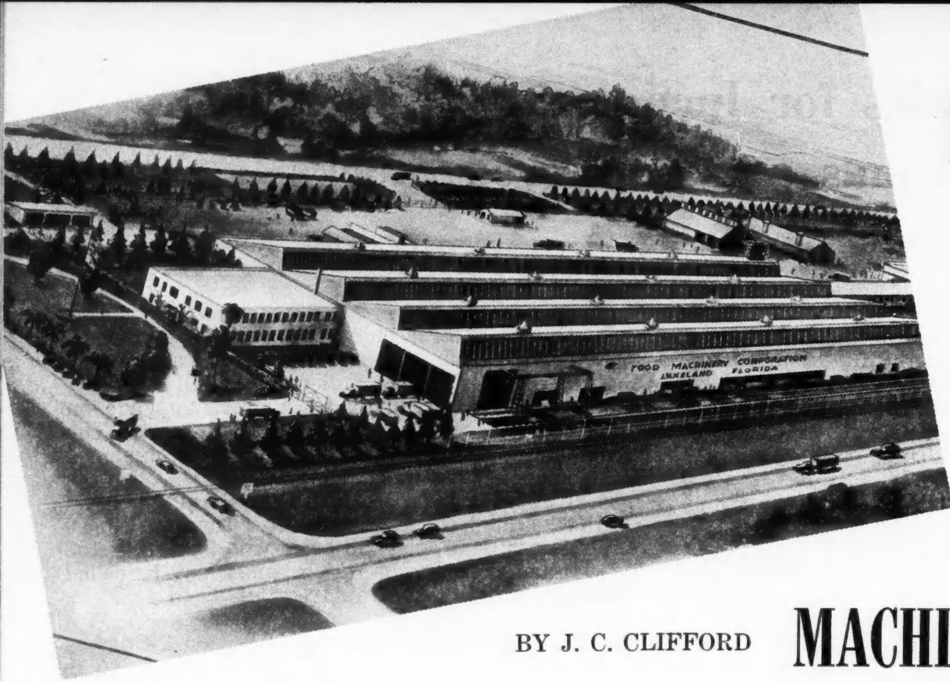
Marked strength in the rail bond list, particularly second grade issues, reflects growing realization of the greatly improved position of the majority of the nation's railroad systems. Credit position of the carriers was never stronger, with most roads in an excellent cash position. Giving effect to recent refunding operations and proposed reorganizations, fixed charges will be cut to about $450,000,000 compared with $614,000,000 for Class I roads in 1938. In that year fixed charges were covered 0.82 times, whereas on the present basis they would have been covered 1.11 times. Earnings in 1938 were at an extreme low point.

PITTSBURGH STEEL CO. 1st 4½'s 1950: This sound medium grade issue is selling around 105½ to yield 4.27 per cent currently and 3.24 per cent to maturity. This is a better return than offered by most issues of comparable quality. Together with the series B and C bonds, the issue is outstanding in the amount of about $8,300,000. The comparatively small number of bonds in the market may account for the better-than-average yield. However, the bonds are usually available in sufficient quantities to warrant their consideration by individual investors.

Pittsburgh Steel is one of the smaller steel companies, having an annual steel ingot capacity of slightly more than one million tons. All series of bonds are secured equally by a first mortgage on practically all of the company's fixed assets. The net property account was valued in the company's 1944 balance sheet at nearly $27,000,000. Over the past five years fixed charges have been given an average annual coverage of better than 11 times. After December 1, the call price will drop from 105 to 104, and the price at which bonds may be called for sinking fund will drop from 102½ to 102.

NOTES: The proposed financing of Wilson & Co., has been temporarily postponed . . . A. P. W. Products Co., is proposing to extend maturity date of 1st mortgage 6's from 1948 to 1966 . . . Stockholders of Kansas City Southern have assented to the company's plan to refund its outstanding debt . . . New preferred stock capitalization of Crown Zellerbach Corp., will consist of 353,103 shares of $4.20 senior preferred and 176,552 shares $4 second convertible preferred. Holders of old $5 preferred may exchange for two-thirds shares of $4.20 preferred and one-third share $4 second preferred . . . American Locomotive is seeking stockholders approval of the sale of 400,000 shares of common stock, applying the proceeds to a reduction in the 7% preferred stock from $32,460,100 to $20,000,000, effecting a reduction of $872,207 in annual dividend requirements.

STANDARD GAS & ELECTRIC: The company's plan of reorganization has been upheld by the Circuit Court of Appeals. SEC has also approved. Under the terms of this plan, holders of the company's notes and debentures will receive $305 in cash, 3 shares Pacific Gas & Elec. common, 5 shares California Oregon Power common, 2 shares Mountain States Power common, and 18 shares of Wisconsin Public Service common. The total value of this offering is currently estimated at about $1,150. Current quotations for the various notes and debentures range from 107 to 109⅛. Possibilities for price appreciation on the strength of the ultimate adoption of the plan are indicated.



INVESTMENT AUDIT of FOOD MACHINERY CORP.

BY J. C. CLIFFORD

ALTHOUGH barely two months have elapsed since the end of the war, Food Machinery Corp. is well along the road of reconversion.

This is a feat of no mean proportion when consideration is given to the extent to which the company was engaged in war work. At the same time the eagerness of the management to restore the company to a peace-time basis with the greatest possible expediency is readily understandable. The company has a very promising post-war outlook, and that fact doubtless provided plenty of incentive.

Late in August, and less than two weeks after the Japanese surrender, Food Machinery notified its stockholders that all war work had been practically completed. The management anticipated that plants would be cleared rapidly of war material and converted to regular production. During the war, seven of the company's fourteen plants were engaged in Government orders.

Impressive Background

The reported terminations of war contracts totalled $95,000,000. This figure affords a fair measure of Food Machinery's war activities. In 1940, the company's total sales were less than 10 per cent of that figure. In the 1944 fiscal year, total sales were nearly $177,000,000. At first glance, the prospect of a precipitate drop in post-war sales, indicated by a comparison of these figures, would seem to cast no little doubt on the company's more immediate prospects. There are present, however, a number of mitigating factors that should do much toward cushioning the loss of war business.

Food Machinery is a "growth" company. This classification is amply supported by the company's pre-war record. Post-war prospects, moreover, suggest strongly further important expansion both in the scope of activities and volume of sales accompanied by correspondingly good earnings.

Food Machinery Corp. dates its history from 1928. In that year the company was incorporated as the John Bean Mfg. Co. and acquired the Bean Spray Pump Co., established in 1884. From that modest beginning, progress has been rapid and today the concern stands as the country's leading manufacturer of machinery and equipment highly essential in the growing and packing of fruit and vegetables. The company's list of products is a lengthy one and includes spray pumps, fruit and vegetable washers, machinery for canning fruit, vegetables, fish, and milk, meat canning machinery, sterilizing equipment, citrus and deciduous fruit packing house equipment, dried fruit packing equipment, turbine pumps, insecticides and fire fighting equipment. The company also licenses packers to use its special patented process for coloring and preserving fruit, particularly oranges.

Patented Processes

The next time you find your breakfast orange stamped with the words "Color Added," you will know that the packer used the Food Machinery process. It is a U. S. Certified coloring solution used to enhance the appearance of the fruit and increase its market appeal. The process is accepted as a virtual necessity in Florida and Texas, because frequently fruit is allowed to remain on the trees several months after maturity, causing a re-greening of the outer peel. Utilizing the "Color Added" process, the green is bleached out and the fruit given an appealing golden color. Packers are licensed to use the process, Food Machinery furnishing the necessary material and expert supervision.

"Flavorseal" is another Food Machinery process widely used by fruit and vegetable packers. This is a simple but effective method whereby fruits and vegetables are made to look better and last longer. The process involves the use of a specially designed applicator in which the fruit enters, having first been thoroughly washed and dried. The applicator

turns the fruit over so that the entire surface is exposed to a spray of the patented solution. By the use of this process it has been found that fruits and vegetables retain as much as 50 per cent more of their moisture and 75 per cent more of their original flavor than untreated products.

The company's line of packing house equipment is a complete one and includes washers, dryers, graders, conveyors, box nailing machines, and citrus and vegetable processing equipment. The Anderson-Bargrover and Sprague-Sells divisions are credited with turning out the bulk of the machinery used in this country for canning and processing such foods as evaporated milk, deciduous fruits, vegetables and meats. This is a field of no inconsiderable size.

Two other divisions, John Bean Mfg. Co., and Bean-Cutler manufacture a complete line of spraying equipment used principally in the protection of crops and fruit trees from the ravages of insects and plant diseases. "Bean" sprayers are used in every important fruit and vegetable producing area throughout the world. Another division, Peerless Pump, produces a line of special purpose and general use pumps. Many of these pumps are used for irrigation and giant turbine pumps manufactured by the company are installed at the Panama Canal for removal of tremendous volumes of water from flooded areas.

War Output Large

Because of the prime importance of food as a sinew of war, Food Machinery, in its own right, would have made an important contribution by merely supplying the greatly increased need for its machinery and equipment. In the production of direct war materiel, however, the company was also active. For the Navy, large amphibian tractor tanks were manufactured at the Lakeland, Fla., plant: decontaminating apparatus, known as the M3A-1, was turned out for the Chemical Warfare Service; and bomb hoists for the Naval Air Force. The company's pumps were widely used on Navy tankers and for providing water for Army camps, airports and defense industries. A large number of the company's high pressure five fighting units were sold to armed forces.

With every effort being brought to bear to increase the production of foodstuffs, Food Machinery was able to obtain high priorities on the necessary material to manufacture its regular line of agricultural labor saving equipment. As a consequence, normal output rose in value from under $9,000,000 in 1940 to over $20,000,000 in the 1944 fiscal year. At the same time direct war production increased from a few hundred thousand dollars in 1941 to $156,000,000 in 1944.

With any company with a valid claim to growth and enterprise, research is its very heart. In Food Machinery, research and experimentation has been one of the most active divisions. This is substantially borne out by the fact that when last reported, the company had a total of 774 owned or controlled patents and more than 100 pending applications. Recently it was officially announced that included among the company's post-war plans is a greatly enlarged research program, particularly on the Pacific Coast. On the basis of past progress, it seems

Comparative Balance Sheet Data

FOOD MACHINERY

($ millions)

	Sept. 30, 1941	Sept. 30, 1944	Change
ASSETS			
Cash	2.425	13.185	+10.760
Marketable securities	......	......	......
Receievables, net	4.711	8.365	+3.654
Inventories, net	5.364	38.115	+32.751
Other current assets	......	......	......
TOTAL CURRENT ASSETS	12.500	59.665	+47.165
Plant and equipment	6.594	11.036	+4.442
Less depreciation	3.831	6.430	+2.599
Net property	2.763	4.606	+1.843
Other assets	.537	3.239	+2.702
TOTAL ASSETS	15.800	67.510	+51.710
LIABILITIES			
Notes payable	......	10.000	+10.000
Accts. payable and accruals	1.531	18.028	+16.497
Reserve for taxes & renegotiation	1.336	14.058	+12.722
Other current liabilities	......	......	......
TOTAL CURRENT LIABILITIES	2.867	42.086	+39.219
Deferred liabilities	.068	......	—.068
Minority interest	......	.245	+.245
Long term debt	......	3.700	+3.700
Reserves	.362	5.165	+4.803
Capital	7.730	4.280	—3.450
Surplus	4.773	12.034	+7.261
TOTAL LIABILITIES	15.800	67.510	+51.710
WORKING CAPITAL	9.633	17.579	+7.946
Current Ratio	4.4	1.4	—3.0

A typical modern plant of Food Machinery Corp.

a fairly safe assumption that research will continue to contribute a full share to future growth through the development of new products and improvements to the standard line.

Since its inception in 1928, Food Machinery has drawn into its fold some 17 companies, greatly increasing the scope of operations and giving it a national background. The most recent of these acquisitions, announced September 1, was the Mechanical Foundries Inc., located at Vernon, Calif. This company specializes in the production of gray iron, brass and bronze castings, of which 5,000,000 pounds were turned out in 1944. From the nature of its business, this new addition would seem likely to fit smoothly and naturally into the Food Machinery organization.

Pertinent Statistical Data

	1939	1940	1941	1942	1943	1944
Sales ($ mill.)	6.361	8.739	11.526	23.149	50.559	176.896
Devreciation ($ mill.)	.220	.224	.208	.314	.472	.299
Balance for common ($ mill.)	.988	1.580	1.823	1.737	2.144	3.684
Operating margin	16.8%	19.8%	23.8%	27.3%	25.3%	11.9%
Net profit margin	18.3%	19.1%	16.6%	7.5%	4.2%	2.1%
% earned on invested capital*	13.8%	18.8%	25.5%	42.7%	76.8%	106.7%
Earned on common, per share	$2.32	$3.70	$4.27	$4.07	$5.02	$8.61
Earned on common, % of market price†	3.6%	5.7%	6.6%	6.3%	7.8%	13.4%
Dividend rate	$1.37½	$1.50	$1.75	$1.75	$1.75	$1.75
Dividend yield†	2.1%	2.3%	2.7%	2.7%	2.7%	2.7%
Current asset value, per share**	$17.45	$20.24	$24.64	$34.53	$65.61	$130.76
Book value per share	19.88	22.09	24.61	26.79	31.14	38.11
Net current asset value per share**	14.83	16.86	17.91	20.59	21.25	32.33
Cash asset value per share	6.81	8.55	5.69	17.60	19.94	30.80
Current ratio	8.4	7.4	4.4	3.1	1.7	1.4

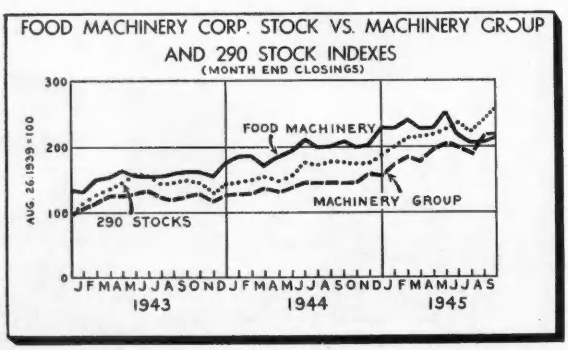
*—Before proision for income taxes. **—After allowing for senior securities.
†—Based on current market price.

Production facilities are spread through 14 plants and four foundries not including the one mentioned above. These plants are unusually well located with respect to the company's principal customers. The plants in California, for example, are conveniently near the prolific fruit and vegetable growing sections of Southern California. Two plants making citrus fruit canning and packing machinery are also located virtually in the heart of the Florida citrus belt.

Growing Importance of Lease Income

So far export business has been of relatively little importance. A division manufacturing insecticides is located in Canada, and late in 1941 announcement was made of the formation of a subsidiary company for the handling of the assembly and sale of Food Machinery products in Brazil. At the same time it was hinted that a substantial volume of business might eventually be available to the company in South America. The intervention of the war probably made it necessary to defer any plans which the management may have made for the exploitation of these markets. These plans, however, may now be reactivated as part of the over-all post war program.

Another phase of Food Machinery's activities which promises to become of increasing importanc with the passage of time is what the managemen refers to as Leased Machinery and Process. Certai types of machinery made by the company, as we as some of the processes which it controls, ar leased to customers on a royalty basis. It is on thi basis, for example, that practically all of the larg producers of evaporated milk use the company' milk sterilizers. About 70 per cent of all of th evaporated milk produced in the United States, in cluding such brands as Pet, Nestle's, White Hous Libby's and Armour, is sterilized in Food Machiner equipment.



Income from these leases has been expandin steadily, year in and year out, and in 1944 recorde a gain of 13 per cent to reach a new high o $3,054,942. No breakdown of 1945 income is avail able at this time but the probabilities are that an other gain has been made and that last year' record was of brief duration. Also the managemen has intimated that the combined efforts of the en gineering and research staffs have resulted in de veloping new products which are being counted o to swell royalty revenues in postwar years.

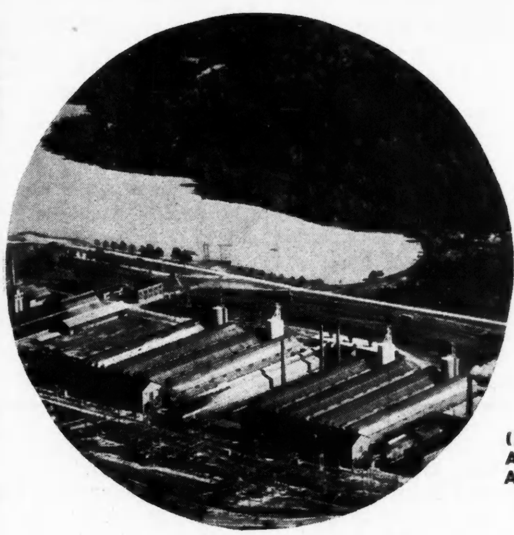
Current Results

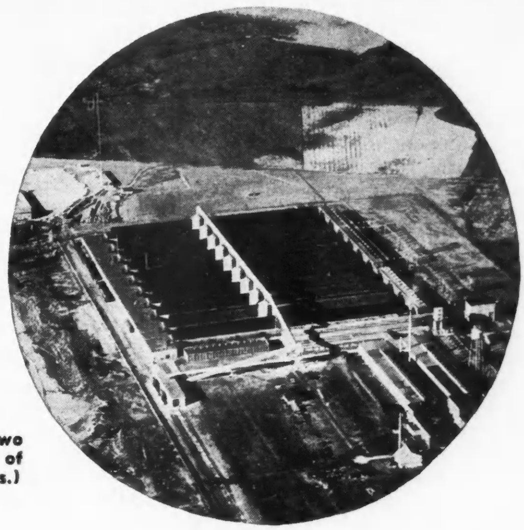
Particularly significant in connection with royalt income is the fact that it imparts an element o stability to earnings. It is noteworthy that the tot income derived by Food Machinery last year fro leased machinery and royalties was 25 per cent o sales income in 1941, the last pre-war year. A fu ther increase in this percentage is a favorable fu ture potential.

The company's 1945 fiscal year ended Septemb 30, last, and the annual report will probably not b made public for several months. Information pe tinent to 1945 operations is limited to quarter statements of sales and earnings. From these, how ever, it is possible to draw a number of val conclusions.

The company reported sales for the nine month period to June 30 of more than $179,000,000, practically on a par with (*Please turn to page 3*

ALUMINUM COMPANY OF AMERICA





(Air-views of two Aluminum Co. of America plants.)

—*Will It Be Atomized?*

BY H. S. COFFIN

IN requesting Congressional action to dismember the Aluminum Company of America, Attorney General Tom C. Clark has paved the way for one of the most interesting debates in the nation's economic history. Off and on for more than thirty years past, the Government has made sporadic attempts to attack the legality of this giant enterprise, and for eight years now a suit based on the Sherman Anti-trust Act has been dragging through the courts, latest findings by a special panel of Federal Judges acting for the Supreme Court merely leaving the matter still up in the air. Broad Governmental plans to stimulate competition during reconversion, however, can brook no further legal indecision or delay, so Congress itself has been asked to settle the controversy, as many war-bred factors now greatly complicate the picture.

More than half a century ago, a small enterprise with only $20,000 capital was incorporated to produce aluminum from bauxite ore by an electrolytic process patented by Charles Martin Hall. Through the intervening years this business has grown into a mighty industrial giant controlled by Alcoa and its numerous subsidiaries, completely integrated in its operations. With assets of $475 million, the company owns vast deposits of high grade bauxite ore in Arkansas, Alabama, Georgia and Dutch Guiana, along with a fleet of modern ships, several railroads, hydro-electric plants, facilities to produce concentrates, pigs and alloys, and with a string of fabrication units to round out these vast facilities.

Although many patents had expired, technological "know how" gained through 50 years of experience and progressive operating efficiency long provided Alcoa with a field clear of competition in the production of the basic metal, and as late as 1939 the company was the sole domestic producer of virgin aluminum, with an output of 163,000 tons per annum. Original heavy investments in Aluminum Ltd., a large Canadian producer, were completely divested as long ago as 1928, by distribution of all stock to Alcoa shareholders.

With the outbreak of war, military demand for aluminum soared to astronomical proportions, as 80% of the materials used in airplane construction consist of this metal, not to mention huge requirements for its use in floating bridges, landing mats, gasoline drums and a long list of newly developed items. To meet the demand to the best of its ability, Alcoa spent $300 million of its own funds to expand capacity to 415,000 tons and assisted the Government in the planning and construction of Federally owned ingot plants, the majority of which the company operated under lease. Total capacity of Government plants reached 570,000 tons, outstripping that of Alcoa by a considerable margin. Additionally, Reynolds Metals Co. entered the field as a major competitor, with Government aid creating an

U. S. Peacetime Consumption of Primary Aluminum by Industries

(Percent of Total Consumption—1939)

Transportation (land, air, water)	29%
Machinery and Electrical Appliances	15
Cooking Utensils	14
Miscellaneous Foundry and Metal Working	4
Electrical Conductor	10
Iron and Steel Metallurgy	5
Chemical	5
Building	8
Food and Beverage	6
Miscellaneous	4
	100%

Source: U. S. Bureau of Mines

ingot capacity of 80,000 tons. Actual output from these combined sources reached a peak of 919,850 tons in 1943, or nearly seven times the prewar record, but high production costs and declining demand resulted in the dismantling of several Government ingot plants. Still on hand as a headache for the Surplus Property Board are nine facilities for the production of the primary metal, 43 other kinds of aluminum plants, and equipment in 37 privately owned factories, representing an original cost of $700 million.

In spite of its long dominant position, pricing policies of Alcoa have consistently favored reductions to stimulate more widespread adoption of its light metal, likewise encouraging the broadest competition in the fabricating field. Originally priced at $5 per pound in the old days, aluminum ingots were offered at 24.30 cents a pound by 1930, 20 cents in 1938, dropping to an all-time low of 15 cents during the war, where the price now stands. At this figure, postwar sales potentials are immensely strengthened as war experience and research have developed a multitude of new uses for this material and its alloys. An expectant public is promised everything from aluminum passenger and freight cars to featherweight lawnmowers, while optimists in the Government claim that the automobile industry alone soon may consume more of the metal than even the war-swollen capacity could provide. More conservative, professional estimates, however, while anticipating a postwar demand to reach a level of five times prewar, figure that not more than half of current ingot capacity would suffice to meet the most hopeful increase in sight for a long time.

Worldwide Growth Trend of Aluminum

(Thousands of Metric Tons)

	U. S.	Canada	Germany	Great Britain	France	Norway	Italy	Switzerland	Russia	Other	Total
1943	834	*	*	*	*	*	*	*	*	*	E2,000
1942	473	305	*	*	*	*	*	*	*	*	E2,000
1941	280	193	305	35	60	35	50	29	60	102	1,144
1940	187	99	240	28	50	25	40	31	75	43	818
1939	148	75	200	25	50	31	34	28	73	30	694
1938	130	66	166	23	45	30	26	27	48	20	581
1937	133	43	128	19	35	23	23	25	45	16	490
1936	102	27	97	16	28	15	16	14	38	14	367
1935	54	21	71	15	22	15	14	12	25	9	258
1934	34	16	37	13	15	15	13	8	14	5	170
1933	39	16	19	11	14	15	12	8	4	4	142
1932	48	18	19	10	14	18	13	9	1	3	153
1931	81	31	27	14	18	21	11	12	......	4	219
1930	104	35	31	14	25	27	8	21	......	3	268
1929	102	.42	33	14	29	29	7	21	......	4	281

*—Not available. E—Estimated.
Source: American Bureau of Metal Statistics; Mineral Industry.

Past Moves

The outstanding contributions of Alcoa to our economy in peace and war have importantly tempered all juridical opinions thus far rendered. Some three years ago, the Federal District Court found the company wholly innocent of illegal restraints or monopoly and dismissed the Government complaint accordingly. As a result of this decision, the case was appealed to the Supreme Court, which appointed a special panel of three Federal Judges with full authority to act in their stead. In March, 1945, Judge Hand, with unanimous approval of his two confreres, reversed the decision of the lower court on the ground that during the period covered by the Government's complaint, Alcoa in fact did occupy a monopolistic position, but in dumping the case back in the lap of the lower court, the judge pointed out that under current conditions total American production of aluminum appears to be divided between only 823 million pounds for Alcoa in its own plants, 1,293 million pounds in Government leased plants, and 202 million pounds for Reynolds and others.

Casting aluminum alloy pistons.

Pending final disposition of the Federal plants, the court stated that neither the Government nor Alcoa had any basis for discussing dissolution of the company, adding . . . "it would be particularly fatuous to prepare a plan now, even if we could be sure that eventually some form of dissolution would be proper. Dissolution is not a penalty but a remedy; if the industry will not need it for protection, it will be a disservice to break up an organization which had for so long demonstrated its efficiency."

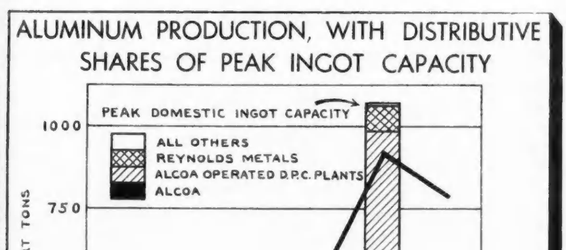
Government reaction to this pronouncement took the form of dual appeals by the Attorney General and the Surplus Property Board for legislation to be based upon not only anti-trust law but upon broad policies to break up big business in favor of smaller competitors as well, and tied in motives of expediency to unburden the Government of immense investments in surplus property. The Justice Department definitely recommends the split-up of Alcoa into a number of competing concerns as "the only solution" of the charged monopoly, on the ground that no independent enterprise, no matter how efficient or resourceful, could equal all advantages enjoyed by this great company, more specifically listed as bauxite supplies, hydro-electric power, location of plants, market and financial strength, and connections with foreign producers. The claim is made that even Reynolds Metals Co., now substantially established as a competitor, is entirely at the mercy of Alcoa, and that the same situation would obtain with any new producer.

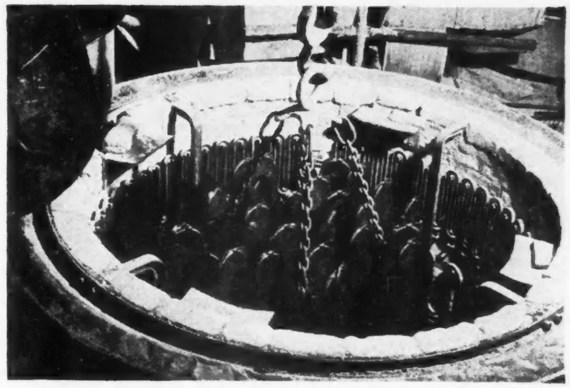
In case dissolution does not meet Congressional approval, the Justice Department suggests deliberate disposal of surplus property calculated to create competition, a survey of all available bauxite reserves in the United States, and, after a determination of power costs, a study leading to possible relocation of DPC aluminum plants. Above all, it is recommended that Government aid in the form of subsidies or low power rates be extended to independent operators to enable them to compete effectively with Alcoa, for no method of Government-owned plant disposal, the Attorney General insists, can create competition for the following reasons: (1) Alcoa owns practically all available, highgrade domestic bauxite, and with its private ships can import its foreign bauxite at a lower cost than anyone else. (2) Alcoa has coralled all the best power for its own use. No one can, even from Government projects, get as cheap power for ingot production. (3) The size and location of Alcoa plants will permit more economical operation in postwar than any combination of DPC or independent plants.

Specific Recommendations

Right on the heels of the Attorney General comes a similar appeal from the Surplus Property Board for prompt Congressional action to foster competition, recommending disposal of the Government-owned aluminum plants with priority suggested as follows: (1) Sale to competitors of Alcoa. (2) Sale to Alcoa with the approval of the Attorney General, but only on terms which would establish no competitive advantage. (3) Stand-by service for national security as recommended by the War and Navy Departments. (4) Sale to private enterprises for use in other industries. (5) Export to members of the United Nations.

Domination of the industry, according to the Surplus Property Board, is lodged with Alcoa largely as the result of low-cost Canadian sources of ore and Government subsidized low-cost power for the company. Competition with Alcoa would require independent supply sources for bauxite, the Board





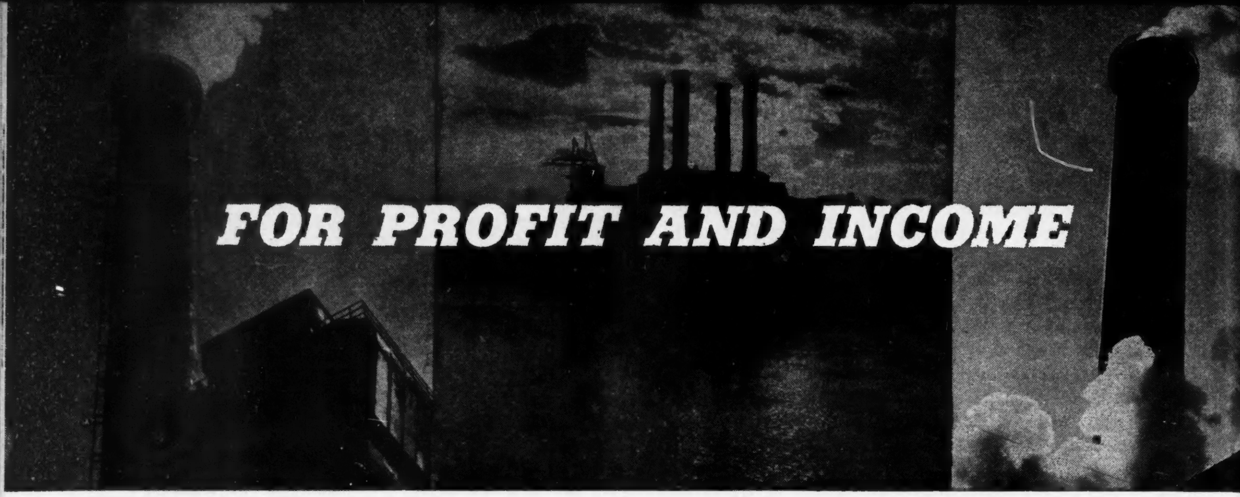
Forged aluminum propellers being heat-treated at a plant of the Aluminum Co. of America.

asserts, adding that one way to make this possible would be to operate the Government-owned Hurricane Creek alumina plant at Jones Mills, Arkansas, on a basis to furnish competitors with ingots at or near cost of production. Reference to Canadian supply sources apparently infers that Alcoa in effect still controls properties in that country eighteen years after it had parted company with them. As for the Hurricane Creek plant, now operated by Alcoa for the Government, the company recently offered to buy or lease it, permitting the Government to control the price of bauxite mined in the State, but as Federal consent was conditioned upon a 60 day cancellation clause in the lease, Alcoa will cease to operate the property within a few weeks along with all the other Government plants in the country presently under its management.

Alcoa's Reply

By no means has Alcoa accepted the current attack upon its entity lying down. In reply to the Attorney General's proposals to Congress, the company holds that any use of taxpayers' money, discriminatory power rates or any other form of impartial Federal aid would be fundamentally inexcusable. Now that the RFC has agreed to cancel the leases on all aluminum plants formerly operated by Alcoa, it has the privilege to lease them to anyone it may select, and the facilities are the most modern in the world, the company points out. All in all, they account for 57% of the capacity of the industry, compared with 36% for Alcoa and 7% for Reynolds Metals, and if efficiently managed, there is no reason why they should not be successfully operated.

Alcoa denies that there is any shortage of bauxite and that this fact was determined by the courts after an exhaustive investigation. Indeed, it claims, Reynolds Metals recently told the Mead Committee that it now controlled enough bauxite to last it for a century to come. Furthermore, any major shift of industry to the use of aluminum would be drastically curbed if the aluminum industry were operated upon anything as transient or unsound as a Government subsidy, in Alcoa's opinion. In view of Alcoa's long service to the nation's economy, of its exoneration by court pronouncement from the charge that profits have *(Please turn to page 52)*



FOR PROFIT AND INCOME

Getting Up There

At no time before in this bull market has it been as easy to make money in well-known stocks as during the past two months. You have to go back a number of years to find an upswing in the Dow industrial average, over an equally short time, as large as this. Now the excitement is spreading and the move is growing more speculative. Much good news, including the now certain cut of the excess profits tax, has been "used up"; and unpleasant news (mainly on the labor front) is largely ignored. Volume indications begin to have some suggestion of an approaching "blow-off." Whether an important intermediate top is near, however, or still quite a few points up is impossible to predict. But money doesn't grow on trees—and when it begins to seem very easy to pick it up in the market, this department gets uneasy. The market is seldom such a "cinch" as it has seemed these past few weeks. That makes us wonder, and cross our fingers.

Seeing Is Believing

If any economist had predicted (none did) that in September, first full month after the end of the war, retail trade would rise strongly, nobody would have believed him. Yet such is the fact. The employed majority—a very big majority it is—is spending more freely, now that some tax relief is assured and the patriotic emphasis on saving is relaxed. We said here two weeks ago that retail stocks looked as if they might be on the verge of taking off again to new highs. Most of them have now done it. The combination of excellent trade statistics and assured tax relief was too much to resist. How high are these stocks? Very high, when compared with their lows of even the past 12 months. But not unreasonable, in most instances, on now probable 1946 earnings ex-EPT.

Paramount

Paramount was stuck for a long time in the range 30-33 where—earning over $4 a share and with a $1.80 dividend—it looked to be among the most moderately-priced stocks in the market, unless there was something wrong with its postwar prospect. Recently it spurted to 40. There are rumors of a coming dividend increase, for the seventh consecutive year. That is possible, though there are arguments against it, wtih the industry facing nearby anti-trust prosecution and film labor gunning for higher pay. Perhaps as adequate an explanation is that the stock, at 33, was a "sleeper," obviously in line for large benefit from lower EPT. On present volume and a 40% tax rate, it could net over $6 a share—and no volume slump is in sight.

High Flying

Douglas Aircraft, now over 91 against a 1945 low of 65, has long been regarded as the No. 1 aircraft stock by most security analysts. Perhaps that ranking is correct. However, it should be clear—or so this department opines—that Douglas can not possibly maintain as wide a competitive lead as it had before the war. The reason is that various others have now had plenty of experience building big planes and doing it well. As a result, when it comes to transport planes, the air lines are in the best bargaining position ever. It is understood that some of the much publicized

INCREASE IN EARNINGS SHOWN IN RECENT REPORTS

		Latest Period	Year Ago
Grand Union Co.	6 mos. Sept. 1	$1.44	$1.10
Gulf Oil	6 mos. June 30	2.78	2.36
Beatrice Creamery	6 mos. Aug. 31	1.97	1.61
Gimbel Bros.	6 mos. July 31	1.51	.98
Vick Chemical	Year June 30	4.03	3.62
American Sumatra Tobacco	Year July 31	3.37	3.06
A. P. W. Products	Year June 30	.71	.49
Celotex Corporation	9 mos. July 31	.49	.23
Colorado Fuel & Iron	Year June 30	3.47	2.97
Quaker Oats Co.	Year June 30	6.18	4.58

private backlog of Douglas has been whittled down by cancellations. Meanwhile, orders for Lockheed's big Constellation transport have zoomed. It is going to be quite a battle, by no means confined to these two companies. We would rather be on the sidelines —or in other stocks.

Value Will Tell

We have called attention before to Chesapeake & Ohio as an attractive stock for those really interested in an excellent and safe income return. For a long time the stock was behind the railroad average. Now it is pushing up to new highs while most rails still have not surpassed their highs of last June. Why C. & O. should go its own way at this particular time we don't know, except that real value eventually will tell. As we write, the yield on the entirely secure $3 regular dividend is still 5.17%. We wouldn't be surprised to see the stock, now around 58, work up to 65-70 in due time. It's worth it.

Steels

Steel stocks often have played a dynamic role in late phases of a bull market. Recently they have been going strong, at new highs. However, such prominent issues as U. S. Steel, Bethlehem, Republic, Youngstown Sheet & Tube and Inland are still much farther from their 1937 highs than in the general market level. This, of course, does not necessarily imply that they are good speculations. In ratio to earnings, those 1937 prices are very extreme in most instances. Steel profits are still in the OPA squeeze, and more rise in labor costs seems in the offing. The volume outlook is quite favorable, contrary to earlier public assumption. Steel products sell at from 2 to 3 cents a pound, so that differences of a fraction of a cent per pound in price make a world of difference in profits and adjustments for higher costs are readily feasible in a free economy. When OPA is out of the way, efficient steel producers will make good money as long as volume is large. The market is looking ahead to that time, for the cost-price ratio in this case is more important than nearby tax relief. Whether speculators are looking too far ahead is debatable, but for the present the steels appear to be pointing up.

New "Katy" Chairman

Speaking of the C. & O., Mr. R. J. Morfa, assistant to the chairman of the C. & O. Board, recently was elected a director and chairman of the board of the Missouri-Kansas-Texas Railroad, succeeding Lewis E. Pierson. Mr. Morfa is also vice president of the New York, Chicago & St. Louis and the Pere Marquette Railways.

Pardon the Intrusion

When most people talk about the rubber stocks they mean Goodrich, Goodyear, Firestone and U. S. Rubber. Yes, they are good companies: but we have noted that the smaller Lee Rubber has a better past earnings-dividend record than any of these. Now, at least in the stock market, Lee has rudely invited itself into this select circle. Around 63, it has passed Goodyear and is breathing hard on the neck of Firestone. Earnings after Jan. 1 will get a big lift from lowered EPT, in fact one of the biggest relative gains in the industry.

Oils Do Better

After lagging for quite a time many of the oils are now in better demand. We suspect it is a matter of suction, so to speak. That is, if stocks have long-term appeal they can play dead in a bull market only so long before they again appear relatively under-priced versus stocks which have had a further sharp rise. The oils indubitably have plenty of long-term merit. Without much to gain from tax relief, in most cases, we think they necessarily face a year or two of lower earnings, and that this prospect probably will restrain, though not prevent, market appreciation for some time to come.

Here We Go Again

Maybe you are tired of hearing us harp on this matter of repeal of the excess profits tax—but, friends, it means money: in many instances exciting money and larger dividends. So here we go again. Loose-Wiles is a rather conservative stock in the normally stable packaged-bakery field. Earnings on it last year were $5.79 a share, after an effective Federal tax rate of about 74%. On a 40% tax, with the same level of pre-tax net, this would be $13.57 a share. Suppose the pre-tax income shrinks? It probably will; but it could be cut 50% and earnings without EPT would be $6.78 a share. We don't believe income before taxes will go off 50% and we think this stock, now around 55, might well carry a $4 dividend next year.

Merger

Rustless Iron & Steel, long nearly 60% owned by American Rolling Mill, will now be fully merged into the larger company on a share-for-share stock exchange. Outside owners of Rustless seem to get a bit the best of this deal, for Armco's longterm earnings record has been somewhat the better of the two. On the other hand, except for simplified operations, it wouldn't appear to give Armco much that it didn't already have anyway.

DECLINE IN EARNINGS SHOWN IN RECENT REPORTS

		Latest Period	Year Ago
Anderson, Clayton & Co.	Year July 31	$3.99	$4.34
Wayne Pump	9 mos. Aug. 31	.77	1.81
Lockheed Aircraft	6 mos. June 30	1.40	2.56
Carpenter Steel	Year June 30	3.08	3.44
Bendix Aviation	9 mos. June 30	4.90	5.74
N. Y. Central R. R.	8 mos. Aug. 31	3.15	3.95
Consolidated Laundries	36 wks. Sept. 8	.98	1.63
Kresge Dept. Stores	26 wks. Aug. 4	.20	.30
Francisco Sugar	Year June 30	.74	4.52
Chickasha Cotton Oil	Year June 30	.58	.89

Around the World

(*Continued from page* 28)

end of the war has meant the cessation of huge British expenditures, better distribution of goods, more imports, and, in general, less pressure for available goods. The danger of inflation is less and the value of silver as a hedge against inflation has therefore diminished.

Investment Audit of Food Machinery Corp.

(*Continued from page* 32)

combined sales and royalty income for *all* of the 1944 fiscal year. Here again is a strong indication that results for the past year will set an all-time record —a record which will probably hold for some time to come, at least so far as it pertains to total sales. In 1944 Food Machinery's billings to its regular customers, exclusive of war work, represented the largest dollar volume in the company's history. Profits in 1944 also set a new high, despite the fact that in relation to sales they were lower than ever before.

In 1944, company paid excess profits taxes equivalent to $26.35 per share of common stock outstanding, compared with actual net earnings of $8.61 a share. Had excess profits taxes been computed at the rate of 60 per cent, for example, net earnings would have been equal to $16.36 a share. The implications of this comparison are obvious—prospective tax relief will be one of the biggest factors in sustaining postwar earnings.

Reference to the accompanying comparison of Food Machinery's balance sheets at the close of the 1941 and 1944 fiscal years, reveals a number of salient changes. Of particular note was the decline in the current ratio from 4.4 to 1.4. This decline occurred despite an increase during the same period of some $47,000,000 in current assets, of which $32,751,000 was in the inventory account. Total inventories at the end of the last fiscal year were more than *six* times the company's total sales in 1939. Such was the impact of doing business in a war setting. To finance this enlarged inventory requirement, the company borrowed $10,000,000 from banks. Accounts payable, which stood at the unprecedented figure of $18,028,000 at the end of the 1944 year, included a refund of $5,661,775 due the Government resulting from reductions from contract prices. In the 1944 balance sheet, a new item appeared among current liabilities, a reserve of $6,858,857 for renegotiation of contracts.

At the close of 1944 fiscal year, the company was due a refund of excess profits taxes of $2,269,119. The latter figure was probably increased by at least $1,500,000 during the past year. In view of the expressed intention of Government to speed up tax refunds, as a contribution to facilitate reconversion, by permitting payment of all such claims within 90 days after they are filed, the company's refunds totalling possibly $4,000,000 can be practically considered an addition to current assets.

Since 1941 Food Machinery made a capital investment in facilities for war plants amounting to $2,177,000, covered by Certificates of Necessity to be depreciated on a five-year basis. At the end of 1944 the unamortized balance was $1,431,801. It has been ruled that for the purpose of recomputing amortization to cover the period such properties were in actual use, the war was declared to have ended September 29, last. This means, in the case of Food Machinery, that the company in the fiscal year just ended may write ofi the entire balance of depreciation against earnings, with a corresponding lowering of tax liability.

Last April, stockholders were given the privilege to subscribe for additional stock at $52.50 a share on the basis of one new share for each four shares held. Proceeds from this financing were used to retire $3,700,000 debentures and for additions to working capital. Following that, a stock dividend was paid with shareholders receiving one share for each four shares held. Subsequently two quarterly dividends of 40 cents each have been disbursed, indicating an annual rate of $1.60 and a yield of 2.5 per cent at recent price for the stock around 64.

On the basis of recent wartime earnings, the shares are not excessively priced. But if we assume that earnings will be somewhere in the neighborhood of $4 a share over the near postwar term it might appear that the market places a pretty generous premium on the company's prospects. Justification for this is found, however, in the company's very definite growth potentials and its background of orderly and considered expansion to national status. The likelihood of higher dividends within the next twelve months is a further consideration, although to judge by past policies, it is probable that the management will act conservatively in this respect, at least until working capital needs in a peace-time setting can be more accurately gauged.

The company's capitalization is extremely simple, consisting solely of about 669,000 shares of common stock.

What Dynamic Industries Spur Expansion?

(*Continued from page* 10)

thousands. Unquestionably it is a field with vast economic potentials.

The longer range potentialities of aviation are too well known to require much elaboration. Both aerial transportation and private flying are fields which are bound to grow enormously but for a time, progress in this direction may well be steady rather than spectacular. Eventually, no doubt, aviation will take its place as one of the major means of transportation, with corresponding benefits to the aircraft industry; the industry ultimately may well rival the automotive industry in peacetime in economic importance. Right now aircraft makers face the long expected radical postwar deflation; they also face new competition in the motive power field by emergence of jet propulsion which eventually may revolutionize all aviation. But much research and experimentation remains to be done.

Active in the jet field are the two big electrical companies, General Electric and Westinghouse, and several companies previously in the turbine engine field such as Allis Chalmers and the Lycoming Division of Aviation Corp. For most of those, however, jet engines for airplanes will probably remain a minor percentage of total business though the related development of the gas turbine for power generation may well assume major importance. Builders of conventional motors are following developments closely.

(*Please turn to page* 53)

Keeping Abreast of Industrial and Company Changes

First major outpouring of venture capital for many years past is highlighted by public oversubscription to the $22 million financing program of the new Kaiser-Frazer Corporation.

This latest contender in the automotive field will immediately take possession of the Government-owned $90 million Willow Run plant, to turn out the Kaiser model, re-leasing a portion to Graham-Paige for production of the Frazer car, to sell around $1400.

The challenge of the Air Transport industry for passenger traffic is answered by the Western Pacific, Burlington and Denver & Rio Grande Western railroads, which contemplate a joint purchase of six streamlined luxury trains, to be operated at ordinary coach fares.

Cost of these Budd-built beauties will total $9 million, a third of which goes for diesel power. Construction will be of stainless steel, and most of the cars will have the new Astra-Dome penthouse roofs for full view of the mountain scenery.

A merger has been practically assured between American Airlines, Inc. and Mid-Continent Airlines, Inc. on a basis of exchange of four shares of the latter for one share of American. As Mid-Continent operates from the Twin Cities to New Orleans, and A. A. from the East to the West coast, both concerns should gain traffic.

Loyal employees of Jack & Heintz who some time ago purchased $12.5 million 5% preferred stock of the company have now got their money back by redemption of the issue. While the management proposes to distribute 62½% of net profits among employees, their money should not be exposed to risk, it suggests.

Fairmont Creamery Co., operating in 16 states, will cover 22 following the purchase of Imperial Ice Cream Co. of Parkersburg, W. Va. Terms of the deal are reported to be $1,100,000 cash and 16,039 shares of Fairmont common.

Growing importance of electronics has led General Electric Co. to plan for a new $10 million plant at Syracuse, N. Y., where all activities of this recently formed division will be concentrated. 155 acres of land and about a million square feet of floor space will be used,

Announcement by Paramount Pictures, Inc. that it expects to become a full-scale producer of television brings competition in this alluring field to Hollywood for the first time. The proposed network will extend from coast to coast.

Latest comer to the stock split-up parade is Life Savers Corporation, which on November 20 is expected to request stockholder consent to an increase in authorized capital and a two for one split.

$20.7 million in unfilled orders, only 8½% of which are military, provide a promising backlog for Dresser Industries, Inc. especially as its contract terminations totaled $16.8 million.

International Telephone & Telegraph Co. is working on experiments which may lead to eventual establishment of a national long distance telephone system without wires. Pulse time modulation by radio transmission may do the trick.

Diversification by Aviation Corporation has now extended to the farm machinery field, through purchase of a controlling interest in New Idea, Inc. Cash outlay in the deal will top $8 million, provided minority stockholders fall in line.

In appraising postwar sales potentials, Thompson Products, Inc. conclude that

within eigtheeen months its volume will exceed $50 million annually, or more than three times its prewar experience. 1939 sales were only $16 million.

Another optimist on postwar is Continental Motors Corporation, with predictions that next year's sales should set a peacetime record. With a backlog of $110 million orders to bolster its hopes, Continental is not dreaming.

The biggest reconversion job fell to the lot of General Motors. Some 35 per cent of national reconversion is being undertaken by the company. Contract cancellations following V-J Day totalled $2,000,000,000.

Federal Reserve Board plans to go easy on relaxing restrictions on installment purchases. Controls will be retained as an anti-inflationary measure.

American Locomotive is 95 per cent reconverted to a peace-time basis. All that remains to be done is the disposal of certain jigs, fixtures and unused war material.

Aircraft manufacturers are striving mightily to find new products with which to employ their facilities. Grumann Aircraft has announced quantity production of aluminum canoes, while a subsidiary of Northrup Aircraft is turning out aluminum wagons and scooters for the toy trade.

New bookings by Worthington Pump & Machinery are being made at a rate indicating annual shipments of $60,000,000, The latter figure would be more than double the volume in the company's best pre-war year,

Whiskey distillers appear in line for tax relief from two directions. They will be greatly benefitted by lowering of excess profits taxes, as well as the proposed reduction in the excise tax.

Operations of Rheem Mfg. will be extended to South America. Company has started construction of a new plant in Rio de Janeiro.

New Frigidaire line will be augmented by the inclusion of three models of freezing cabinets.

B. F. Goodrich has announced a new all-synthetic tire reputed to outlast the natural rubber product. The long lasting qualities have been obtained principally by construction changes.

U. S. Rubber has announced the development of three new chemicals for use by farmers. These are Phygon, a fungicide for control of apple scab, Deetone, claimed by the company to be four times as effective as DDT powder, and Polon a selective weed killer.

Studebaker Corp. has allotted $16,000,000 for post-war expansion. Company's goal is the production of 300,000 cars annually.

The following sounds like the answer to the home builder's prayers. Borg-Warner has a single unit which consolidates plumbing, heating, electrical, bath, kitchen and laundry facilities. Company says mass production will bring the unit within the financial reach of more than six million families.

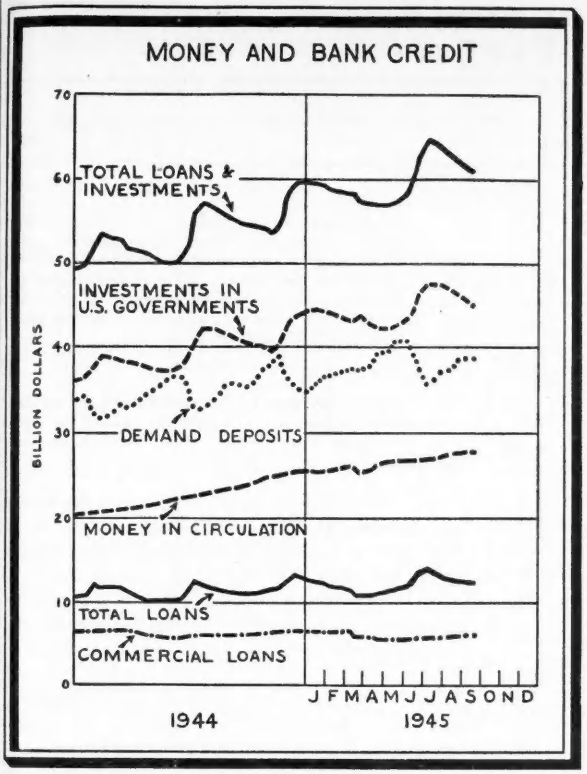
Union Oil of California has started oil exploration work on 55 million acres in the Chaco district of Paraguay.

Textile production facilities of Marshal Field & Co. will be enlarged. For this purpose the company will spend $1,000,000 next year, as part of a longer range program.

R. H. Macy will shortly offer its customers a private airplane. Full page advertisements announced that the store would place the Ercoupe model on sale — priced just under $3,000.

Radios no larger than a package of cigarettes are a reality. They will incorporate the results of developments made in connection with the VT war fuse used by the Navy. Two companies, Emerson Radio and Sylvania Electric Products, participated in this development. The set will employ a vacuum tube weighing one ounce, less than an inch in length and not much thicker than a pencil.

The position and prospects of W. L. Douglas Shoe Company is being discussed in a study of this company undertaken by Ward & Co., members of the New York Security Dealers Association. The study includes a detailed schedule of the indicated breakup value of the company's stock.



SUMMARY

MONEY AND CREDIT — Savings bonds redemptions increase sharply; but Treasury 2½s show firm price trend. Corporate dividends disbursed in three months ended August up 2.3% over last year.

TRADE — Department store sales recover sharply from post V-J day vacations slump.

INDUSTRY—September business activity only 4% below last year and nine months total off only 0.3%. More jobs are available than applicants, while unemployment rises to 1.7 million in first week of September, from 0.8 million a month earlier. Strikes retard reconversion.

COMMODITIES — Cotton and grains rally under crop damage reports and rise in parity prices. Maintenance of Government price support will necessitate crop production curtailment to avert accumulation of disastrously unwieldly surpluses.

The Business Analyst

During the past fortnight, **Business Activity** fell about 2%, to a level nearly 8% below last year and about midway between 1942 and 1943 at this time. The drop was caused in large measure by the epidemic of strikes which is holding back reconversion and forcing a number of concerns to suspend operations "for the duration" of the walkouts.

* *

For the month of September this publication's index of **Business Activity,** at 161.2% of the 1935-9 average, was 2% under August and 4% below Sept., 1944. Third quarter averaged 165.9, compared with 173.7 in the second quarter and 170.4 in the third quarter of 944. The first nine months of the current year averaged 170.3—only 0.3% below the like period last year. Without compensation for population growth, our index for September was 149.2% of the 1935-9 average, compared with 155.2 in August and 157.6 for Sept., 944. Third quarter averaged 154.8, against 160.8 in the second quarter and 159.8 for the third quarter of 1944. Nine months averaged 156.5, compared with 60.4 in the like period last year.

* *

Electric Power Output continues to decline, partly under seasonal influences; but is expected

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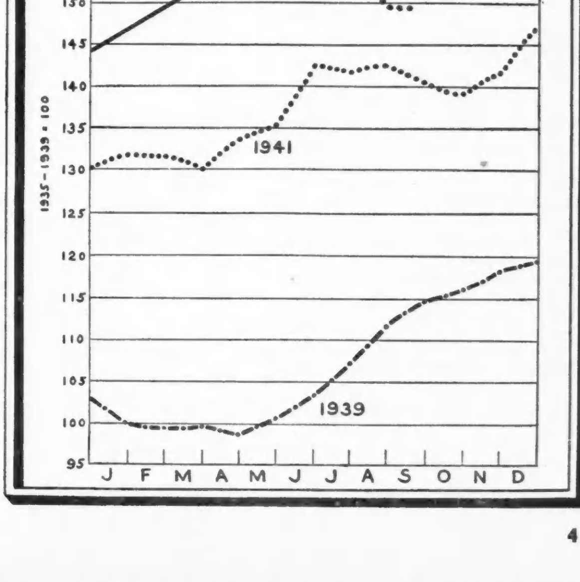


Inflation Factors

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
MILITARY EXPENDITURE (tf) $b	Sept. 26	1.63	1.29	1.65	0.43
Cumulative from Mid-1940	Sept. 26	309.1	307.5	221.1	14.3
FEDERAL GROSS DEBT—$b	Sept. 26	262.0	262.1	209.2	55.2
MONEY SUPPLY—$b					
Demand Deposits—101 Cities	Sept. 26	38.8	39.0	35.4	24.3
Currency in Circulation	Sept. 26	27.7	27.8	23.3	10.7
BANK DEBITS—13-Week Avge.					
New York City—$b	Sept. 26	6.24	6.29	5.40	3.92
100 Other Cities—$b	Sept. 26	7.30	7.39	7.31	5.57
INCOME PAYMENTS—$b (cd)	July	13.52	14.40	12.93	8.11
Salaries & Wages (cd)	July	9.36	9.57	9.28	5.56
Interest & Dividends (cd)	July	0.94	1.85	0.91	0.55
Farm Marketing Income (ag)	July	1.87	1.53	1.60	1.21
Includ'g Govt. Payments (ag)	July	1.97	1.55	1.65	1.28
CIVILIAN EMPLOYMENT (cb)m	Sept.	51.3	53.5	54.0	52.6
Agricultural Employment (cb)	Sept.	9.0	9.0	9.3	8.9
Employees, Manufacturing (lb)	Aug.	13.8	14.1	16.0	13.6
Employees, Government (lb)	Aug.	5.9	5.9	5.9	4.5
UNEMPLOYMENT (cb) m	Sept.	1.7	0.8	0.7	3.4
FACTORY EMPLOYMENT (lb4)	Aug.	142	146	166	147
Durable Goods	Aug.	181	188	225	175
Non-Durable Goods	Aug.	112	112	119	123
FACTORY PAYROLLS (lb4)	July	287	303	332	198
FACTORY HOURS & WAGES (lb)					
Weekly Hours	June	44.6	44.1	45.9	40.3
Hourly Wage (cents)	June	103.9	104.3	101.7	78.1
Weekly Wage ($)	June	46.35	46.01	46.24	31.79
PRICES—Wholesale (lb2)	Sept. 22	104.9	104.7	103.7	92.2
Retail (cdlb)	July	142.4	142.1	138.2	116.1
COST OF LIVING (lb3)	July	129.4	129.0	126.1	110.2
Food	July	141.7	141.1	137.4	113.1
Clothing	July	145.7	145.4	138.3	113.8
Rent	July	108.3	108.3	108.2	107.8
RETAIL TRADE $b					
Retail Store Sales (cd)	July	5.71	6.04	5.51	4.72
Durable Goods	July	0.86	0.90	0.85	1.14
Non-Durable Goods	July	4.85	5.14	4.66	3.58
Dep't Store Sales (mrb)	July	0.44	0.53	0.38	0.40
Retail Sales Credit, End Mo. (rb2)	July	2.17	2.27	1.99	5.46
MANUFACTURERS'					
New Orders (cd2)—Total	July	277	296	314	212
Durable Goods	July	403	422	487	265
Non-Durable Goods	July	196	216	202	178
Shipments (cd3)—Total	July	237	268	263	183
Durable Goods	July	304	355	373	220
Non-Durable Goods	July	190	207	187	155
BUSINESS INVENTORIES, End Mo.					
Total (cd)—$b	July	26.6	26.6	27.4	26.7
Manufacturers'	July	16.3	16.2	17.2	15.2
Wholesalers'	July	3.7	3.8	4.0	4.6
Retailers'	July	6.6	6.6	6.2	7.2
Dept. Store Stocks (rb)—I	July	190	181	165	139

PRESENT POSITION AND OUTLOOK

(Continued from page 41)

to bottom around 3.4 billion K. W. H. weekly before the year-end. Output in the pre-V-J week ended Aug. 11 approximated 4.4 billion K. W. H. Earnings of the industry will not decline proportionately; since most of the billion K. W. H. drop in output will have been in types of business upon which profit margins are small.

* * *

Cash **Dividends** disbursed in August totaled $131 million—1.7% below last year; but payments in three months ended August were up 2.3%.

* * *

In the week ended Sept. 22, **Department Store Sales** rose to 14% above the like period last year, compared with gains of only 6% for four weeks and 11% for the year to date. The mild drop of the preceding few weeks appears to have been occasioned largely by post-V-J day vacations.

* * *

With the patriotic incentive waning, **Government Bond Sales** are not going so well on balance. Savings bonds are being cashed in increasing volume. Redemptions during August were 73% of sales. The proportion mounted to 180% of sales in the first ten days of September, though the gap was narrowed later in the month. Twelve weeks after books closed on the Seventh War Loan, 65% of banking and brokers' loans on Government securities remain unpaid, against only 58% for the like period following the Sixth War Loan drive.

* * *

On the other hand, there is expanding demand for new issues of **Corporate Bonds**, and institutional investors are expected to enter the market increasingly when Government 2½s are no longer available.

* * *

The British Labor Government favors lower **Interest Rates** and there is some talk of slashing the bank rate to 1%. It has stood at 2% since 1929, with a brief interlude at the outbreak of the war when it was temporarily raised to 4%. Hugh Dalton, Chancellor of the Exchequer, is urging Britons to buy bonds; because 'it may well be that in the future rates of interest on new government securities will be lower." Consequently there has been much demand for 2½% consols, raising their price to the highest level since 1936. Our own Treasury is, of course, equally anxious to keep interest rates low.

* * *

Average weekly **Wages** of British factory workers rose 76% during the war—from an average of $10.66 in October, 1938, to $18.78 in January, 1945. In the U. S. A., factory weekly wages nearly doubled during a somewhat shorter period—rising from an average of $23.77 in August, 1939, to $47.50 in January, 1945. Weekly wages in both

PRODUCTION AND TRANSPORTATION

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
BUSINESS ACTIVITY—l—pc	Sept. 22	149.4	150.1	157.1	141.8
(M. W. S.)—l—np	Sept. 22	161.4	162.1	167.6	146.5
INDUSTRIAL PROD. (rb)—l—np	Aug.	188	211	232	174
Mining	Aug.	141	143	142	133
Durable Goods, Mfr.	Aug.	243	292	348	215
Non-Durable Goods, Mfr.	Aug.	158	166	168	141
CARLOADINGS—t—Total	Sept. 22	837	856	898	833
Manufactures & Miscellaneous	Sept. 22	354	359	410	379
Mdse. L. C. L.	Sept. 22	108	108	108	156
Grain	Sept. 22	56	60	50	43
ELEC. POWER Output (K.w.H.) m	Sept. 22	4,019	4,106	4,377	3,267
SOFT COAL, Prod. (st) m	Sept. 22	11.6	12.2	12.0	10.8
Cumulative from Jan. 1	Sept. 22	427	416	459	446
Stocks, End Mo.	July	49.9	47.7	61.4	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Sept. 22	4.5	4.5	4.7	4.1
Gasoline Stocks	Sept. 22	82.9	85.2	77.1	87.8
Fuel Oil Stocks	Sept. 22	47.6	48.5	62.5	94.1
Heating Oil Stocks	Sept. 22	43.6	43.5	43.2	54.8
LUMBER, Prod. (bd. ft.) m	Sept. 22	466	466	620	632
Stocks, End. Mo. (bd. ft.) b	Aug.	3.3	3.1	3.6	12.6
STEEL INGOT PROD. (st.) m	Aug.	5.71	6.99	7.50	6.96
Cumulative from Jan. 1	Aug.	55.8	50.1	60.1	74.69
ENGINEERING CONSTRUCTION AWARDS (en) $m	Sept. 27	88.8	55.2	30.8	93.5
Cumulative from Jan. 1	Sept. 27	1,496	1,407	1,380	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Sept. 22	128	150	125	165
U. S. Newsprint Consumption (st)t	Aug.	290	254	252	352
Do., Stocks, End Mo.	Aug.	463	455	534	523
Whiskey Production (tax gals.)m	July	24.9	0	0	11.8
Do., Domestic Sales	July	4.5	4.7	5.9	8.1
Do., Stocks, End Mo.	July	327	308	341	506

PRESENT POSITION AND OUTLOOK

(Continued from page 42)

countries are now receding slowly, owing to reductions in overtime and Sunday work.

* * *

The Census Bureau estimates that **Civilian Employment** in the week ended Sept. 8 totaled 51.3 million—2.2 million smaller than a year earlier, yet **Unemployment** increased only 0.9 million to a total of 1.7 million. The difference, 1.3 million, is accounted for by withdrawals from the labor force on the part of youngsters returning to school, elderly folks and housewives. In arriving at these estimates, the Census Bureau quite properly refrains from including among the unemployed any of the strikers, vacationists, workers temporarily laid off or unable to work, or others who are not looking for work.

* * *

The Social Security Board reports that, as of Sept. 15, **Unemployment Insurance Claims** have climed to 1.5 million. This compares with 2.5 million estimated by the U. S. Employment Service as having been laid off since Japan's surrender. Governor Dewey reports that, as of Sept. 15, 175,000 persons in New York were receiving unemployment insurance while more than 200,000 jobs remain available in this State alone. From Canada comes a report that two jobs are now available there for every applicant.

Ag—Agriculture Dep't. b—Billions cb—Census Bureau. cd—Commerce Dep't. cd2—Commerce Dep't., Jan., 1939—100. cd3—Commerce Dep't., 1939—100. cdlb—Commerce Dep't. (1935-9—100), using Labor Bureau and other data. en—Engineering News-Record. l—Seasonally adjusted Index, 1935-9—100. lb—Labor Bureau. lb2—Labor Bureau, 1926—100. lb3—Labor Bureau, 1935-9—100. lb4—Labor Bureau, 1939—100. lt—Long tons. m—Millions. mpt—At Mills, Publishers and in Transit. mrb—Magazine of Wall Street, using Federal Reserve Board data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, Instalment and Charge accounts. st—Short tons. t—Thousands. tf—Treasury and Reconstruction Finance Corp.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

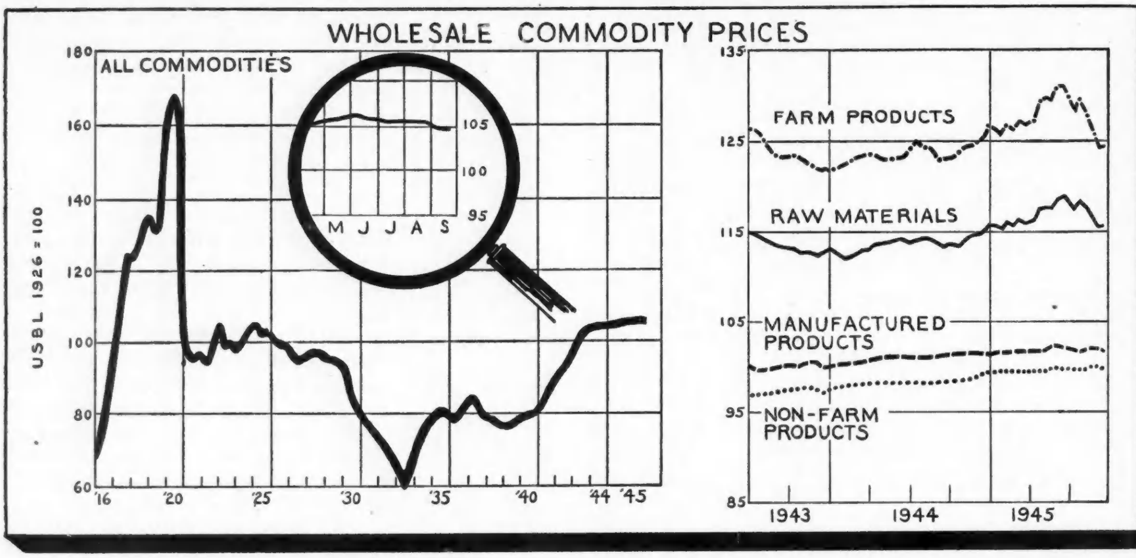
No. of Issues (1925 Close—100)	1945 Indexes High	Low	Sept. 22	Sept. 29
290 COMBINED AVERAGE	142.3	105.0	139.0	142.3R
4 Agricultural Implements	197.4	160.5	192.7	192.9
10 Aircraft (1927 Cl.—100)	213.6	156.0	200.1	204.9
6 Air Lines (1934 Cl.—100)	896.4	559.6	865.8	896.4Z
5 Amusement	104.4	78.9	96.7	104.4P
13 Automobile Accessories	268.6	178.2	254.9	268.6Z
12 Automobiles	50.3	33.8	48.0	49.1
3 Baking (1926 Cl.—100)	17.3	14.3	17.1	17.3H
3 Business Machines	276.4	221.3	271.5	276.4H
2 Bus Lines (1926 Cl.—100)	160.8	123.5	146.2	147.5
4 Chemicals	228.9	189.2	226.3	228.9H
4 Communication	87.2	73.5	84.2	87.2J
13 Construction	61.3	42.3	61.2	61.3H
7 Containers	351.5	276.5	349.8	351.5H
8 Copper and Brass	94.3	74.8	92.2	94.3E
2 Dairy Products	59.4	47.6	59.2	59.4P
5 Department Stores	63.6	39.8	60.7	63.6R
5 Drugs and Toilet Articles	169.5	117.6	167.6	169.5R
2 Finance Companies	297.0	222.1	275.3	274.6
7 Food Brands	186.5	134.5	184.1	186.5Z
2 Food Stores	68.8	56.1	67.4	68.8L
4 Furniture	102.9	81.6	100.7	102.9H
3 Gold Mining	1158.0	938.3	1065.0	1071.6

(Nov. 14, 1936, Cl.—100)	High	Low	Sept. 22	Sept. 29
100 HIGH PRICED STOCKS	92.39	73.59	90.45	92.39H
100 LOW PRICED STOCKS	168.95	112.22	164.03	168.95
6 Investment Trusts	57.6	44.7	56.6	57.6H
3 Liquor (1927 Cl.—100)	617.1	391.0	588.2	617.1Z
8 Machinery	183.5	137.5	181.0	183.5H
2 Mail Order	135.0	96.7	131.6	135.0Q
3 Meat Packing	98.8	68.6	98.8H	98.4
11 Metals, non-Ferrous	193.4	149.0	188.3	193.4G
3 Paper	27.0	18.9	26.8	27.0Q
22 Petroleum	167.1	142.5	154.4	158.3
19 Public Utilities	103.6	55.4	98.4	103.6H
5 Radio (1927 Cl.—100)	34.1	27.5	34.0	34.1J
7 Railroad Equipment	91.2	68.9	90.6	91.2H
21 Railroads	37.5	22.8	33.6	34.0
2 Shipbuilding	115.6	89.9	98.2	103.2
3 Soft Drinks	526.5	394.8	509.5	526.5Z
12 Steel and Iron	109.7	82.8	106.5	109.7H
3 Sugar	68.1	55.2	68.1R	66.6
2 Sulphur	212.4	173.5	209.9	209.9
3 Textiles	102.4	58.5	100.1	99.8
3 Tires and Rubber	42.2	33.9	41.7	42.2R
5 Tobacco	85.1	67.5	85.1E	84.8
2 Variety Stores	287.4	255.6	277.2	277.9
21 Unclassified (1944 Cl.—100)	133.9	100.0	129.3	133.9A

New HIGH since: A—1944; E—1940; G—1938; H—1937; J—1936; L—1934; P—1931; Q—1930; R—1929; Y—Nov. 14, 1936.
Z—New all-time HIGH.

Trend of Commodities

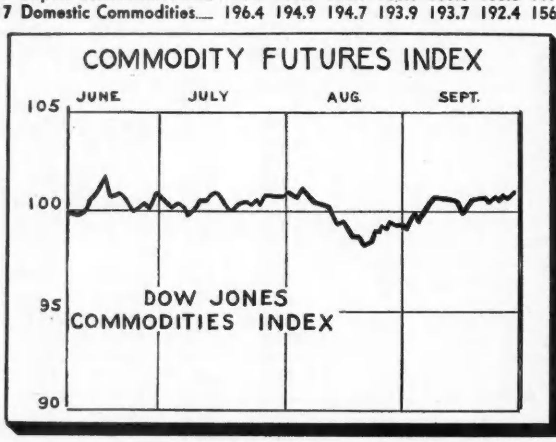
Cotton and grains rallied sharply during the past fortnight under crop damage reports and a rise in parity prices. The forthcoming condition report may indicate a cotton crop this year of only 9.5 million bales, against 12.23 million last year; but at that there would still be a two year supply on hand. The parity price for cotton advanced 13 points from August 15 to Sept. 15, and the wheat parity price rose a cent. Wheat prices since our last issue have spurted to the highest level in 20 years. European estimates of crop prospects there place the yield of wheat, oats, rye and barley at only 65% of the pre-war average. Per capita world food production this year is expected to be around 10% below the pre-war average, despite near record crops in the Americas. The continuing gradual rise in prices paid by farmers keeps notching up parity prices and consequently the Government loan prices on products. Unless Congress acts before Jan. 1 to declare the war at an end, the Government will be saddled with the huge cost of maintaining farm prices at 90% of parity through Dec. 31, 1948. Agriculture Secretary Anderson foresees that this would mean an accumulation of surpluses so huge as to jeopardize the price support program and ultimately wreck farm prices unless production henceforth is tailored to fit prospective consumption. Meanwhile the Agriculture Department hopes, beginning this autumn, to throw out food subsidies one by one—beginning with meat, this butter, other dairy products and processed vegetables—with compensating increases in ceiling prices. The OPA says meat and shoe rationing will end this year.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — August 1939, equals 100

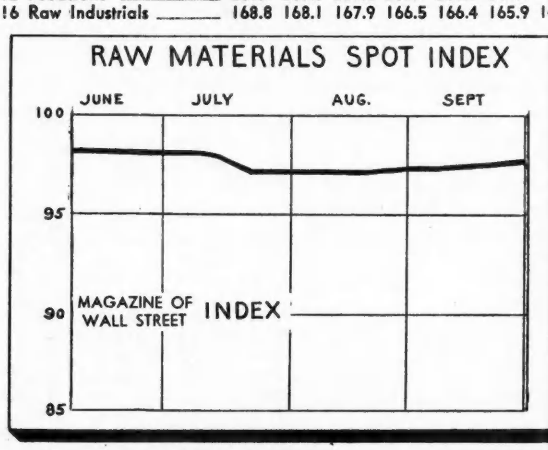
	Date Sept. 29	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	185.1	184.2	184.2	183.7	183.6	182.6	156.9
11 Import Commodities	168.9	168.9	168.9	168.9	169.0	168.6	157.5
17 Domestic Commodities	196.4	194.9	194.7	193.9	193.7	192.4	156.6

	Date Sept. 29	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec 194
7 Domestic Agricultural	227.1	225.1	225.4	227.1	226.2	224.0	163
12 Foodstuffs	209.1	207.9	207.8	209.1	209.1	207.4	169
16 Raw Industrials	168.8	168.1	167.9	166.5	166.4	165.9	148



Average 1924-36 equals 100

	1945	1944	1943	1942	1941	1939	1938	1937
High	101.70	98.13	96.55	88.88	84.60	64.67	54.95	82.44
Low	93.90	92.44	88.45	83.61	55.45	46.50	45.03	52.03



14 Raw Materials, 1923-5 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1945	1944	1943	1942	1941	1939	1938	19
High	98.2	97.6	96.0	89.1	86.7	78.3	65.4	91
Low	96.7	94.9	89.3	86.1	74.3	61.4	57.5	64

Economic Implications of Price-Wage Spiral

(*Continued from page* 13)

wages alone wocld indeed be a selfish attitude and not conducive to economic stability as a whole. The advantage of labor in such an event would be short-lived. At any rate the wage demands now made would be far greater than the probable gain in labor efficiency since 1939. Under normal conditions, labor productivity rises about 2½% a year which would point to an overall gain of somewhat over 15% since 1939, just about half of the 30% wage demand, on basis of dollar wages. And dollar wages, since 1939 have already risen appreciably, from a weekly average of $23.86 to $46.08 in 1844, and to something like $37.20 currently, with overtime eliminated. On basis of real wages, a far more important criterion, the wage boosts demanded would amount to an increase of some 50%, as against an estimated 15% gain in labor productivity since 1939!

It is obvious that industry under current price ceilings can hardly afford any such upward revision of basic wage rates; most assuredly there can be no such thing as a blanket increase, what with greatly varying ability among industries to absorb it. Inevitably it would lead to markedly higher prices, negating not only any advantage gained by labor but seriously jeopardizing the potentials of the expected postwar boom.

For without wage stabilization, the Government will not be in a position to hold the price line. With stiff wage increases all along the line, OPA will be forced to review prices all along the line. It may be too early to predict what this might mean in the way of total production. If output of goods increases with the higher prices, as it probably will, we will have prosperity for a time though the inflationary potential will be greatly enhanced. It will be something of a "flash boom," not exactly the healthiest kind. If, however, output declines, due to consumer resistance to higher prices, with business threatening to fall off into a depression spiral, the consequence may well be resort to pump priming to sustain a high level economy. In either event we would face unpleasant economic reactions. There is a foreign trade angle, too. We need to develop a foreign trade of dimensions sufficient to provide work for our over-expanded plant and to keep our work force employed at the maximum. With prices unduly high, our export drive would certainly suffer under the joint impact of foreign foreign competition and inability or unwillingness of foreign nations to pay for our high-priced goods.

The real danger at the moment lies in the possibility of an inflationary wage-price spiral, for any substantial wage increase is bound to be followed by higher prices. If wage rates generally are increased with a view to maintaining wartime purchasing power after work schedules and output per man have been reduced, costs will be increased throughout the field of industrial production. If wages are increased only in certain basic lines, a whole series of readjustments in the interrelated cost and price structure will become necessary. Thus, if take-home pay is raised in line with labor demands, the cost of living will undoubtedly rise and inevitably, unions sooner or later will demand further increases to bring wages in line with the cost of living. It's the old vicious circle.

Real Wages the Answer

All this doesn't mean that wages ought not to be adjusted where necessary; neither low wages nor excessively high wages are desirable. But what counts most in the final analysis are real wages, that is the purchasing power of the earned dollars. The primary task is to maintain this purchasing power, and producing an inflationary price-wage spiral is not the way to go about it. Rather, what is called for is a wage policy that does not permit imposition of wage increases which industry cannot absorb without forcing prices substantially higher.

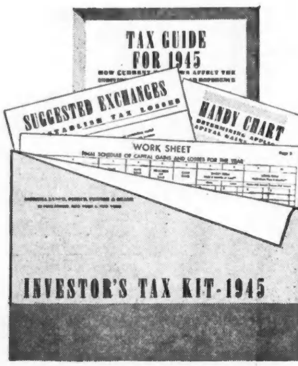
That we shall witness ultimately higher wages is a foregone conclusion, but nothing like the 30% boost currently asked by the labor unions. Most likely this demand has been put forward for trading purposes; chances are that the unions will be quite satisfied with a fairly quick settlement involving a rise of 10% to 15% but they face a determined fight before industry will give in to that extent.

Advertisement

WALL STREET

For Investors: Annual Income Tax Help

For many American citizens, October brings the hint of fall and with it a yearly reminder that income tax time is coming closer. Though tax provisions this year are largely unchanged, most prudent investors will want to begin reviewing holdings to make certain they are prepared to receive the advantages to which they are entitled. To ease this difficult task, the nationwide investment firm of Merrill Lynch, Pierce, Fenner & Beane has issued the 1945 edition of its Investor's Tax Kit.



Merrill Lynch Tax Kit:
To ease a difficult task

The popularity of the M L, P, F & B Investor's Tax Kit is deserved. It contains a comprehensive Tax Guide, prepared with particular reference to those laws which affect investors. Compiled for M L, P, F & B by the Research Institute of America, Inc., it includes, for example, a check list of deductions for both businesses and individuals as well as important miscellaneous tax information. Here, too, will be found a Handy Chart which gives a graphic presentation of the treatment of Capital Gains and Losses by the individual together with work sheets on which these items can be conveniently computed. Special feature this year: A folder containing a selected list of suggested security exchanges for those who wish to establish tax profits or losses.

As usual, readers need only send a request for the 1945 Investor's Tax Kit* and it will be mailed promptly without cost or obligation. It is not intended to take the place of expert tax counsel, but it does provide the basic information necessary in order to approach tax problems efficiently and intelligently.

*Just address your request for the *"1945 Investor's Tax Kit"* to: Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Two factors favor a relatively quick settlement of the wage issue. One is that as unemployment figures run up, labor's hand will be weakened, thus labor is not interested in long drawn out strife. The other is management's eagerness to get over the reconversion hump into real volume production. Government, in the middle, can be expected to support moderate pay increases and make active efforts to conciliate and avoid strikes by promoting compromises. This may even include some commitment to adjust prices upward where necessary though by no means a general abandonment of the "hold the line" policy.

Comparative Wage Factors

In the circumstances it is difficult to predict how wage boosts may affect individual industries especially since the scope of possible compensatory price increases is necessarily a moot question at this time. The question is nevertheless important because of its direct bearing on corporate profits; there is hardly any doubt that wages in the future will bulk larger as a primary cost determinant in many industries. Their significance as an investment consideration is bound to rise correspondingly since industries with low wage ratios will find themselves better situated in coping with the price and competitive problems of the future. They should enjoy an important differential advantage which should grow in direct proportion to the payroll burden.

Take steel for instance. Higher wage scales and relatively low and rigid steel prices have materially raised the pay point for the industry, a factor which certainly contributed to the laggardness of steel shares. Wages in the steel industry constitute an important cost factor and recently accounted for something like 40% of costs against 36½% in 1942. The ratio used to be higher, as much as 49% in 1939 but it has since declined with greater volume production and increased mechanization. As volume recedes now that the war is over, the ratio probably will again advance.

The wage factor bulks even larger in the coal industry where the ratio of wages to costs runs around 60%; in the railroad industry it is 65%. It goes without saying that industries with high

(Please turn to page 48)

Economic Implications of Price-Wage Spiral

(*Continued from page* 46)

wage ratios are far more sensitive to wage increase than those whose ratios are low. The latter have a better chance to absorb wage increases either partly or wholly without price increases—were such permitted—which may not be without effect on demand or competitive positions, for many industries with high wage ratios are competing with others having low ratios.

In the appended tables there are listed major industries or industry groups according to their wage ratios based on 1939 Census figures, the latest available. They represent approximate prewar ratios; their validity today in some instances may be open to question due to shifts arising from increased operating efficiency and wartime wage increases, though in a good many instances these two factors will balance out. On the whole, the ratios listed should not be far out of line with those prevailing today and provide at any rate an interesting guide.

Any future wage increases would be a serious factor in all those industries where the wage ratio is high, and would therefore call for compensating price increases or else result in substantial paring of profit margins unless volume can be boosted to the extent that it provides an adequate offset. The latter no doubt is a factor that may be importantly relied upon in rationalizing the wage demands now impending. Whether it can be fully compensatory, as many quarters believe, remains to be seen.

Cash or Credit Boom?

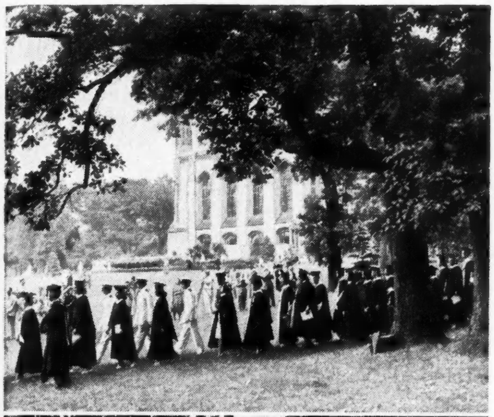
(*Continued from page* 15)

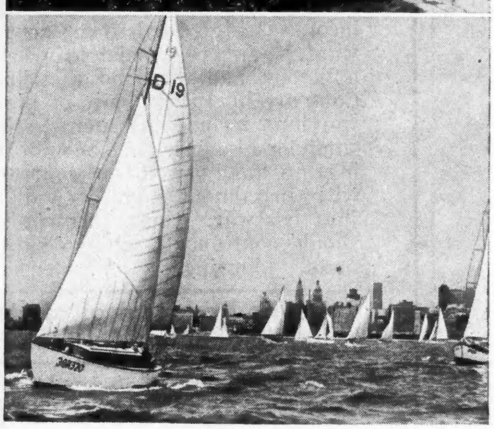
or less, to be reloaned at what probably amounts to about an 8% rate, their profit potentials become most interesting in view of the immense volume they are likely to enjoy. After years of restricted business during wartime, when profit producing receivables dropped to about a sixth of prewar heights in one instance, their prospects now are definitely looking up.

Among the strongest concerns in the instalment finance business

(*Please turn to page* 50)

Why people enjoy living in Chicago and Northern Illinois





Whether you live in a city apartment easily accessible to your business . . . a home with a yard for the children in any of the attractive suburban communities . . . a country place . . . or a home in one of Northern Illinois' progressive smaller cities or towns, the finest recreational and cultural advantages in the nation are available to you.

For Chicago and Northern Illinois is truly a leading educational center of the world. Northwestern University, the University of Chicago — these are only the two largest of scores of outstanding institutions providing almost unlimited facilities for learning. Open to everyone are the thousands of fine churches, great libraries, the Chicago Art Institute, the Museum of Natural History, and the Museum of Science and Industry. The Shedd Aquarium, Adler Planetarium and Brookfield Zoological Park . . . the opera, the theatre, symphony music are here for your enjoyment.

And stretching westward from the Lake Michigan shore with its sandy beaches and excellent yacht harbors, 41,000 acres of parks and forest preserves await your holiday with horseback riding, picnicking, fishing, swimming, sailing and golf—more than 200 courses within 40 miles of the city. The beautiful valleys of the Fox and Rock Rivers, the inviting waters of numerous inland lakes—all are within easy reach by fine auto highways.

Two major league baseball clubs, college and professional football, the colorful Golden Gloves boxing tournament, the famous Mackinac Yacht races, the International Livestock Show — these are some of the many important competitions centering here. There are winter sports — skating, skiing, tobogganing, hockey, ice boating, duck shooting. Then, too, this area is within a day's drive or a few hours by plane of the Wisconsin, Michigan and Canadian fishing and resort country.

The great diversification of opportunity in Chicago and Northern Illinois allows people to follow the kind of work they like . . . to live where and as they like . . . to play and relax as they like. This is why people enjoy living in Chicago and Northern Illinois.

Industries locating in this area have these outstanding advantages

Railroad Center of the United States • World Airport • Inland Waterways • Geographical Center of U. S. Population • Great Financial Center • The "Great Central Market" • Food Producing and Processing Center • Leader in Iron and Steel Manufacturing • Good Labor Relations Record • 2,500,000 Kilowatts of Power • Tremendous Coal Reserves • Abundant Gas and Oil • Good Government • Good Living

This is the third of a series of advertisements on the industrial, agricultural and residential advantages of Chicago and Northern Illinois. For more information, communicate with the

TERRITORIAL INFORMATION DEPARTMENT

Marquette Building—140 South Dearborn Street, Chicago 3, Illinois—Phone RANdolph 1617

COMMONWEALTH EDISON COMPANY • PUBLIC SERVICE COMPANY OF NORTHERN ILLINOIS

WESTERN UNITED GAS AND ELECTRIC COMPANY • ILLINOIS NORTHERN UTILITIES COMPANY

Cash or Credit Boom

(*Continued from page* 48)

is C.I.T. Financial Corporation (formerly Commercial Investment Trust), which in 1941 purchased $1.6 billion of instalment receivables. The inherent quality of these risks is exceptionally high, as aside from title to the merchandise involved, individual promises to pay are guaranteed by dealers and often retailers as well. In addition to financing automobile and similar purchases, C.I.T. does an enormous business in financing textile concerns, owns the National Surety Co., and through a subsidiary is engaged in manufacturing activities. C.I.T.'s working capital of $116 million will shortly be increased by $25 million through the sale of 3.6% preferred stock. Dividends of $2.55 were paid on the common in 1944, contrasting with $4 in 1941. At recent price of 55 the yield is low at 3.8 but if distributions return to prewar levels, appreciation should become expressive. 1937 high for the stock was 86.

Second largest company in the field is Commercial Credit Company, which in 1941 bought $1 billion of receivables. This concern owns both the American Credit Indemnity Co. and the Calvert Fire Insurance Co. Commercial Credit has a long record of dividend payments, those in prewar largely exceeding the current restricted rate of $2.55 per share. With a return of good times for the industry, more liberal treatment of stockholders could follow, in which event the stock at recent price around 50 might not seem unduly high, and the current yield is attractive at 4.5%.

The Beneficial Industrial Loan Corporation and the Household Finance Co. make small loans to individuals, under various State laws, at interest rates of 2½% to 3% per month. While earnings during periods when the national income is high tend to dip somewhat, they are consistently satisfactory and dividend distributions are liberal. In spite of high wartime income payments, the small loan business has been holding up fairly well—in contrast with instalment finance—and in the postwar, these companies should continue to make a satisfactory showing.

Realistic Reappraisal of the Building Boom Outlook

(*Continued from page* 21)

the necessary blocks of property are assembled and obsolete structures dismantled.

As to the contribution likely to be made by farm buildings to the over-all prospect, it is well known that the obsolescence in this type of building is considerable. But farm buildings have a habit of outliving their apparent usefulness and it is practically impos-

sible to arrive at any reasonable estimate of potential replacement. The fact, however, that farmers have prospered mightily during the past four years can be set down as a very favorable augury.

There it is. The stage is set and the cast is ready to begin an industrial drama of far-reaching significance. Present are all of the elements which should insure a "hit" of some years duration. But it may be some months yet before the curtain rises: much longer before the climactic stage is reached.

The fall and winter months are traditionally the slack periods in building and construction. During this time, manufacturers of materials and equipment will have an opportunity to build up inventories and mitigate the possibility of serious shortages next spring. But nothing short of a miracle can prevent some bottlenecks from developing. Lumber is a case in point. Of the total cost of an average home, lumber takes up nearly 12 per cent and is the most important single item. Lumber is short right now, and will probably remain so until sufficient workers return to the forests. Other material shortages will prevent rapid acceleration of volume business in the case of many companies.

The price of building materials, even when available at OPA ceilings, are 24 per cent higher than they were in 1939. A further increase in construction costs of as much as 25 per cent may result from demands of labor. The implications of the current labor unrest are obvious. Moreover, the threat of jurisdictional stoppages looms, with the C.I.O. planning to invade the building field, long dominated by A. F. of L. unions. Since the 1942 peak of 3,000,000, employment in the construction industry has dropped to 600,000 and 80 per cent of the labor force has been either drawn into the armed forces or attracted to other industries. Thus, a large shortage of experienced workers must be added the problems faced by building at this time.

Conceivably this combination of adverse factors could cause widespread hesitation on the part of prospective buyers and builders, and the volume of building, at least in its initial stages, would probably prove quite disappointing.

Within the next six months, however, the entire building situation may be resolved into a much more clearly defined picture than exists at the present time. The makings of a genuine and sustained boom are there. What they will actually produce, however, will depend upon the expediency and wisdom with which the obstacles are overcome. They are not insurmountable.

Accompanying this discussion is a tabulation giving the statistical highlights for fifteen of the leading companies prominently identified with the building industry. All of these concerns can be counted on to share substantially in a revival of construction activities. The majority of them, with the benefit of higher earnings and some tax relief, would be in a position to treat stockholders liberally.

Aluminum Company of America

(*Continued from page* 35)

ever been excessive, and its war record, the company resents what it considers unfair Governmental criticisms of its setup and current attempts to dismember its structure. Finally, the company asserts that dissolution as proposed by the Attorney General would be directly contrary to the findings of the courts, besides destroying property values involving hundreds of millions of dollars owned by a multitude of small investors, insurance companies, religious, educational and charitable institutions.

So complex are the political, economic and social issues collateral to the merely legal aspects of the Alcoa controversy dumped into the Congressional lap, that public interest will be keenly aroused. Not to be overlooked is the broad program recently announced by the Department of Justice to press monopoly charges against a long list of other large concerns, thus indicating that, by and large, Alcoa has been selected as a convenient "guinea pig." Upon the outcome of this move, therefore, may hinge a pattern of Government policies in post-war, with implications of importance to all industry.

More practical aspects of the situation are likely to override the ideas of political planners in Washington, less conversant with business fundamentals. Every experienced manufacturer knows that production costs vary directly with volume, and if volume is cut into shreds, the inevitable leap of costs is skyward. On this premise alone, to dismember Alcoa could not fail to reverse the long downward trend of aluminum prices and smother the growing demand for this promising material. Also, there are varying kinds of monopolies, as witness the A. T. & T., and if physical and technological advantages produce industrial satisfaction at lowest costs, the economy is best served.

Expansion Trends in Natural Gas Industry

(*Continued from page* 26)

sidiary, Michigan-Wisconsin Pipe Line Co. The latter proposes to construct a 1,216-mile pipe line at an estimated cost of $70,000,000 to connect the Hugoton natural gas field in Oklahoma with Detroit. The line would also furnish gas to other subsidiaries of American Light & Traction. SEC has approved acquisition of the entire capital stock of the new pipe line company by American Light & Traction which would later be transferred to Michigan Consolidated Gas or distributed to A. L. & T. stockholders.

PACIFIC LIGHTING is the second largest distributor of natural gas in the country. Service area embraces the densely populated area of Southern California including Los Angeles, Hollywood and Burbank. Near-term revenues may show some decline as a result of a sharp falling off in industrial activity in the territory, but in comparatively short time should reflect the rising trend of domestic consumption. The $3 dividend appears reasonably secure and the common shares afford a generous return.

EL PASO NATURAL GAS CO.'s largest customer is the copper industry in the El Paso, Tucson, and Phoenix areas, accounting for about 40 per cent of total revenues. Sales to other utilities and industries contribute the balance. Less than 30 per cent of revenues are subject to rate-making jurisdiction of FPC. The company has requested FPC approval for the construction of a 720-mile pipe line from New Mexico to Southern California. El Paso has had a good earnings record and net this year should approximate $3.50 a share for the common, an adequate margin of safety for the $2.40 dividend. Shares are attractive on an income basis.

LONE STAR GAS CO. serves an extensive territory in Texas, of which Dallas and Fort Worth are the largest cities. Activities embrace production, transmission and distribution of natural gas. Sales are predominantly for domestic use, making for stable earnings. Reserves are large. Current earnings are estimated around $1 a share, providing good coverage for the regular 60-cent dividend.

Six Preferred Stocks for Substantial Income

(*Continued from page* 23)

aged to show a net of $17.92 on this issue. At a tax rate of only 40%, therefore, the net would have been $35.29, or seven times the dividend on the preferred.

Back of the 59,720 shares of outstanding preferred are net assets of about $20 million, of which $12 million is working capital. The preferred is convertible at various prices ranging from 40 to 50 for common stock until 1951, and when the common sold at a high of 42½ in 1937 the preferred soared to 120. Currently, with the common around 23, the preferred is quoted at about 91½, to yield 5.4%. Thus the stock has a measure of speculative appeal as well as longer range investment attraction; its redemption price is 105.

Another interesting preferred stock with a large margin of earnings coverage in recent years is the 6% cumulative, convertible preferred of Radio - Keith - Orpheum Corporation, better known as RKO. Since its reorganization in 1939, RKO with its farflung facilities for production, distribution and exhibition of films, after a creeping start, made history in 1943 and 1944 by showing earnings on its preferred shares for these two years of $58.78 and $44.16 respectively, or $2.94 more than its par value. This tells only part of the story, for in 1944 EPT taxes levied a toll of $29.80 per share of preferred, a possibly diminishing factor next year. With a peak working capital of $21 million and a comfortable current ratio of 2.4 to 1, RKO expects to produce 37 feature films during the coming year and with more than 100 theatres of its own, profits should continue to be satisfactory. While this stock holds a position junior to $16.6 million outstanding bonds, the wide coverage of earnings minimizes this factor and at recent price of 104½ its yield of 5.7% has attraction.

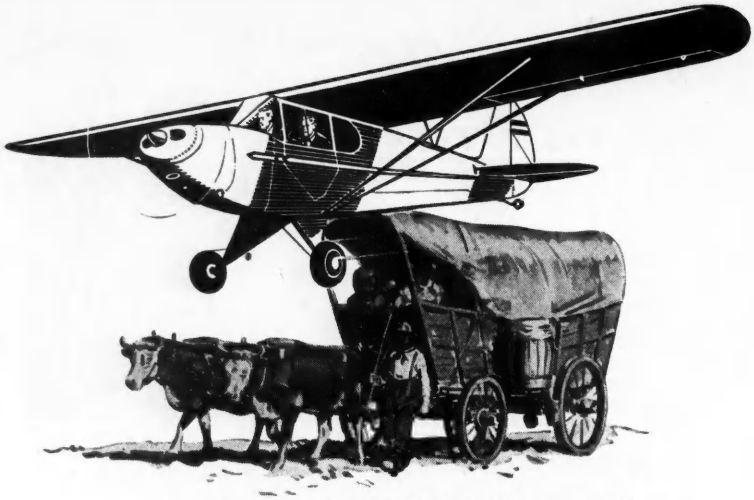
What Dynamic New Industries

(*Continued from page* 38)

Then there is the vast field of synthetic fibers, well along in growth but still expanding, a triumph for scientific research and organic chemistry.

Other fields with dynamic growth prospects are those involving new alloys, new drugs and pharmaceuticals, air conditioning, refrigeration, opticals, the products of petroleum chemistry and a host of new processes and techniques too numerous to mention. Refrigeration of course already is a respectable industry, rapidly expanding, as is air conditioning which in the postwar is expected to go to town.

In the accompanying table we have listed a number of companies which we believe will do well in their respective fields; the list is by no means exclusive. Topping the list as "relatively most attractive for diversification in new industries" is a trinity of three industrial giants: duPont, General Electric and Westinghouse Electric. This is because their participation and stature in new dynamic growth industries is truly



impressive. Take duPont with its entrenched position not only in chemicals (itself a growth industry) but leading in plastics, synthetic fibers and many other new fields. General Electric, apart from blanketing the electrical field, is active in electronics, air conditioning, refrigeration, gas turbines, jet propulsion, and plastics, in the latter not only as a maker of plastics but ranking as the largest molder and one of the largest laminators of plastics in the country. Westinghouse, too, is engaged in all those fields except plastics. Investment in the shares of these companies thus promises safest, if not the most spectacular, participation in whatever growth potentials these novel fields may offer in the future.

The new industries discussed, and others, in the long run are bound to contribute importantly to economic expansion to levels needed in the postwar but this contribution can not be expected to accrue over night. It will be a gradual process, and in the meantime other factors and potentials must be activated to bridge the gap. One of them is foreign trade, another is a sustained building boom. A third is expansion of the service industries, vital especially from the standpoint of employment. They all will have to play their role in supporting the kind of postwar economy we are aiming at.

As I See It!

(*Continued from page 6*)

and throw off the chains of slavery with which Russia is binding them.

While the conference just concluded is frankly stated to be a total failure, the only reason we got anywhere at all previously was by giving way to Russia — an expedient the war urgency called for. It was a dangerous precedent. To let Russia write her own ticket today would endanger the peace.

During all the negotiations the Russian press has alternately attacked and threatened her allies while her propagandists have even gone so far as to suggest that her army of 12,000,000 stood ready to enforce their demands. Moreover, Russia has either evaded or ignored the various agreements and acceptances of provisions, since the b

As I See It!

(*Continued from page* 54)

ginning of our collaboration, even including those made by former Secretary of State Hull. I mention Mr. Hull because in a moment of bitter frustration Mr. Molotov rudely told his confreres that the Conference failed because Mr. Hull and Mr. Eden were not the negotiators.

Russia's latest demand for a share in the administration of Japan should certainly not be granted. Gen. MacArthur has done a magnificent job and the violent criticism which originated in Moscow is due to fear that we will eclipse Russia in that part of the world which is fast coming to know that the American way—and not Russian communism—is the way of peace and economic security. No longer is Russia in a position to mock the democracies because the war has proven that her system is an economic failure and that Russia survived because of our support made possible under the free enterprise system. Even today Russia is seeking loans from the U. S. and the tools necessary to start her rehabilitation and recovery. Without this machinery, Russia is bound to continue at a subsistence level with all the hardships that this entails for her people.

The talents of the Russian government up to this war have been principally in the field of political propaganda rather than economic reconstruction. The success of her efforts in this latter direction still remains to be proven.

Certainly it is clear that Russia cannot be trusted with the secret of the atomic bomb and that under no circumstances should we reveal it to her, that from now on she should be made to live up to her agreements and promises and her later date interpretations ignored.

To date Russia has stopped at nothing to gain her ends — frequently by devious means — not even hesitating at blackmail. Communist radio commentators in our country are even referring to the letters exchanged between Churchill and Roosevelt which were stolen from the American embassy in London and which found their way to Moscow when von Ribbentrop took them there in 1939 as a clincher for the Nazi-Soviet non-aggression pact.

As can be seen, our security and safety today lies in bringing into the open all secret documents that have been paying Russia such excellent returns. For events have clearly shown that this is the only safe course in dealing with the Russians — and current happenings clearly indicate that the necessity no longer exists for making dangerous compromises.

The time has come to set our house in order—to clear the underbrush—so that the world can move toward a sound peace and economic recovery.

Another step of great importance at this time calls for the ousting from labor unions of all those who owe allegiance to Russia and who are attacking our government by working for the establishment of Communism here. We well know that those advocating Communism today do so in order to gain power at the expense of the people—not because they believe that Communism in any way can compare with democracy as practised by the U. S. which, despite its faults, has produced the highest standard of living for the people that the world has ever known.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACTS OF CONGRESS OF AUGUST 24, 1912, AND MARCH 3, 1933

Of THE MAGAZINE OF WALL STREET *and* BUSINESS ANALYST published bi-weekly at New York, New York, for Oct. 1, 1945.

State of New York } ss.
County of New York }

Before me, a Notary Public in and for the State and county aforesaid, personally appeared E. A. Krauss, who, having been duly sworn according to law, deposes and says that he is the Managing Editor of THE MAGAZINE OF WALL STREET *and* BUSINESS ANALYST and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, as amended by the Act of March 3, 1933, embodied in section 537, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:

Publisher—C. G. Wyckoff, 90 Broad Street, New York 4, N. Y.

Editor—None.

Managing Editor—E. A. Krauss, 90 Broad Street, New York 4, N. Y.

Business Managers—None.

2. That the owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member, must be given.)

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3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.)
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C. G. Wyckoff, Inc. (bondholder), 7 West 10th Street, Wilmington, Del., the stockholders of which are: C. G. Wyckoff, 90 Broad Street, New York 4, N. Y.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the twelve months preceding the date shown above is—(This information is required from daily publications only.)

E. A. KRAUSS,
Managing Editor.

Sworn to and subscribed before me this 27 day of September, 1945.

[Seal] CHARLES KRAVETZ

(My commission expires March 30, 1946.)

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